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SIERRA LEONE

**JOINT IDA-IMF STAFF ADVISORY NOTE ON THE
SECOND POVERTY REDUCTION STRATEGY PAPER**

September 17, 2009

Poverty Reduction and Economic Management 4
Country Department AFCW1
Africa Region

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INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

REPUBLIC OF SIERRA LEONE

**Joint Staff Advisory Note on the
Second Poverty Reduction Strategy Paper**

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and the International Development Association (IDA)

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September 17, 2009

I. Overview

1. **This Joint Staff Advisory Note (JSAN) reviews Sierra Leone's Second Poverty Reduction Strategy Paper (PRSP-II) covering the period 2009-2012.** The PRSP-II examines achievements and lessons learned under the first PRSP, analyzes challenges and constraints in the economy, and lays out the strategic priorities for accelerating growth and reducing poverty.

2. **The PRSP-II presents a comprehensive medium-term strategy that focuses on four strategic priorities.** These are: (i) enhancing the national power supply; (ii) increasing agricultural productivity and competitiveness; (iii) significantly improving the national transportation network; and (iv) promoting sustainable human development through decentralized service delivery. These priorities are underpinned by good governance, macroeconomic stability, private sector development, financial sector reform, and natural resource management.

II. Characteristics of the PRSP-II

A. Participatory Process

3. **The preparation of the PRSP-II included a participatory process involving central and local government, civil society, development partners and parliamentarians.** Contributions from key ministries and agencies were shared with development partners, civil society organizations, and parliamentarians. Regional workshops were attended by a wide range of stakeholders. Agriculture was identified as the number one priority and recommendations resulting from the consultation process indicated the need for more explicit coordination between the transport and agriculture sectors, particularly concerning investments in feeder roads, whose current condition is a

major impediment to agriculture. After a series of consultations with key ministries and development partners, the PRSP-II was then validated at a national stakeholders' meeting, approved by Cabinet and later endorsed by the Parliament. To ensure continued ownership of and support for the Government's reform program, it will now be important to embark on a wide dissemination of the strategy to broaden stakeholders' awareness and to similarly involve all levels of society in monitoring the progress of the PRSP-II implementation.

B. Lessons Learned from PRSP-I

4. **As noted in the PRSP-II, progress during the implementation of the PRSP-I (2005-2007) has been mixed.** The country maintained a stable macroeconomic environment with strong economic growth, moderate inflation, declining current and fiscal imbalances, an increased level of foreign reserves, a stable exchange rate and a reduced external debt level. The public financial management system improved and some aspects of the budget process have been strengthened. Implementation of the decentralization agenda advanced with 19 out of 34 functions devolved. The National Anti-Corruption Strategy (NACS) was revised to include much stronger legal power for the Anti-Corruption Commission and this is now being implemented. Major reform efforts were undertaken to simplify administrative procedures and reduce the cost of doing business in Sierra Leone. Progress was made on access to education as the net enrollment increased, although the desired/required pupil-teacher ratio target was not achieved. Access to health facilities improved over the years, but infant and maternal mortality figures remain among the highest in the world.

5. **The Government has reflected the lessons learned during the implementation of PRSP-I in the PRSP-II.** Specifically, it notes the following key lessons: (i) targets in PRSP-I were too ambitious compared to available resources; (ii) inter-sectoral linkages among various units in different sectors were weak; (iii) program implementation was not always aligned with national priorities; (iv) there was no clear strategy for resource mobilization from the development partners; (v) implementation capacity was weak in many ministries, departments, and agencies (MDAs); (vi) many MDAs did not fully implement the programs of the PRS because they viewed it as a product independent of their own obligations; and (vii) lack of timely and reliable statistics made the assessment of the baseline data difficult and, as a result, targets were unrealistic.

6. **The staffs commend government efforts in incorporating some of the lessons learnt in the implementation of the PRSP-I in PRSP-II,** especially in the areas of domestic revenue mobilization through the planned implementation of a tax reform and the implementation of the National Revenue Authority Modernization plan; the focus on capacity improvement through the establishment of the Human Resource Management Office and the ongoing Civil Service Reform; and the planned improvement in statistical data collection through the implementation of the National Statistical Data System strategy that is largely funded by donors. The staffs, however, note that the PRSP-II, like PRSP-I, remains overly ambitious, especially in light of the country's capacity

constraints and the global economic downturn. The staffs therefore recommend that the authorities prioritize their interventions during its implementation.

C. Poverty Diagnostics

7. **The poverty diagnostics underpinning the PRSP-II draw on the latest available survey¹ which supplemented the 2004 household survey.** It is estimated that the national headcount of poverty declined from 67.5 percent in 2003 to 61.6 percent in 2007.² The decrease in poverty is much larger in urban areas compared to rural areas due to post-conflict growth in the urban areas since 2003. Poverty is predominately rural and is concentrated mostly in the northern and eastern regions. In terms of gender, female-headed households appear to be somewhat worse off in terms of assets, markedly in land ownership, which they are 5 percent less likely to own.

8. **Staffs recommend that, going forward, a new household survey be undertaken to update and strengthen the poverty diagnostics and advise that the survey design include modules that can capture pro-poor access to basic services.** Disaggregating the poverty analysis would help identify policy actions that are pro-poor. Further analysis of sources of income and coping strategies at the household level would also provide for a more informed discussion on pro-poor strategies and the role of agriculture and rural development. Staffs also encourage the authorities to use the poverty map to better target safety nets that do not appear very well targeted and to conduct an in-depth analysis of actual and potential contributions of various sectors, as well as established safety net programs, aimed at securing the incomes of the poor and assisting them. Such analysis would help the Government to establish clear spending priorities aligned with the goal of poverty reduction.

III. Macroeconomic Policies and Financial Management

9. **The PRSP-II rightly emphasizes that broad-based, sustained high economic growth is the primary route out of poverty.** To accelerate growth, the strategy seeks to (i) provide a reliable power supply to the country; (ii) raise production and productivity in agricultural and fishing activities by promoting commercial and subsistence farming; (iii) develop the national transportation network to enable the movement of goods and people; and (iv) improve the provision of social services, particularly health and education, through the decentralized provision of basic services. The PRSP-II presents policies underlying each of these four priorities. The strategy targets a real GDP growth of 6.5 percent by 2012, and asserts that reducing poverty significantly and improving the lives of the majority of Sierra Leoneans will require an annual growth rate of 10 percent or more.

10. **Staffs recommend that the macroeconomic framework underlying the PRSP-II be updated to reflect the impact of the global economic crisis on the Sierra**

¹ Core Welfare Indicator Questionnaire (CWIQ)-2007.

² This estimate is made on the basis of changes in household assets: the 2007 CWIQ did not include information on household incomes or expenditures.

Leonean economy. The framework presented in PRSP-II is based on the projections for the Poverty Reduction and Growth Facility-supported program prepared for the third review concluded in December 2008. Since then, the economy has been significantly affected by the global economic crisis. In particular, the mining sector has been hit hard as the value of exports has fallen, production has been scaled back, and investment projects have been delayed. Other sectors have also been affected, notably services and tourism. The revised macroeconomic outlook projects real annual GDP growth for 2009-10 to decline to 4 percent (about 1.5 percentage points lower than envisaged in the PRSP-II), followed by a gradual recovery to over 6 percent by 2012. The outlook for inflation is more favorable than envisaged in the PRSP-II mostly due to lower commodity world prices. The external position is expected to be challenged by a steeper-than-anticipated decline in average world prices and export volumes of the main minerals. Domestic revenue is projected to fall short of the PRSP-II targets by an average of 1 percent of GDP annually during 2009-12, leading to a corresponding increase in the overall fiscal deficit. Staffs recommend that the first annual progress report of the PRSP-II present a revised macroeconomic and fiscal framework reflecting the impact of the global downturn on the Sierra Leonean economy.

11. **The PRSP-II appropriately emphasizes the critical importance of maintaining macroeconomic stability if higher and sustained economic growth is to be achieved.** With continued donor support during the course of the PRSP-I, Sierra Leone achieved a relatively stable macroeconomic environment, with moderate inflation, a comfortable level of foreign reserves, and a relatively stable exchange rate. A sustainable external debt level was also attained after accessing debt relief under the HIPC initiative and the Multilateral Debt Relief Initiative upon the HIPC completion point reached in December 2006. Looking forward, the PRSP-II acknowledges the need to strengthen fiscal and monetary policy implementation.

12. **The PRSP-II aptly identifies the need to strengthen domestic revenue collection and limit domestic public borrowing.** The staffs welcome the set of fiscal measures geared to maximize compliance and collection efficiency of existing taxes and to broaden the tax base. In particular, an effective implementation of the Goods and Services Tax (GST) will be critical to improving domestic revenue collection, which remains low by regional standards. In light of the unanticipated large revenue shortfall during the PRSP-II period, the expenditure path presented in the PRSP-II could present a challenge to macroeconomic stability and staffs recommend that it be reassessed to ensure budget sustainability over the medium term.

13. **The PRSP-II recognizes the need to reinforce the central bank's ability to contain inflationary pressures and maintain single digit inflation.** To this end, a variety of measures are proposed, including a further recapitalization of the central bank, a more flexible reserve requirement system for commercial banks, and promotion of an effective secondary market. The staffs concur with the authorities that maintaining exchange rate flexibility is appropriate as this would allow for an appropriate market response to exogenous shocks. The staffs note progress made in strengthening central

bank's monetary operations and encourage it to gradually develop capacity in financial stability analysis and economic forecasting.

14. **Notwithstanding the progress made in public financial management, key challenges remain to ensure efficient allocation of public resources.** Staffs welcome the adoption of the Integrated Public Financial Management Reform Program, which is designed to ensure sustainability and consolidation of the public financial management (PFM) reforms within a single and harmonized framework. The PRSP-II highlights the key areas, notably (i) refining and deepening the Medium-Term Expenditure Framework (MTEF) process; (ii) extending the roll out of the Integrated Financial Management Information System; (iii) improving budget auditing and oversight; (iv) addressing remaining weaknesses in procurement systems; (v) updating the legal and regulatory framework for the management of public finances; and (vi) developing the capacity of local administrations in terms of financial management. Staffs support deeper PFM reforms to improve the delivery of public services and reduce the scope for corruption. In this context, staffs note that particular attention should be paid to revamping the MTEF process to ensure that annual budget allocations are consistent with the medium-term objectives of the poverty reduction strategy.

15. **Achieving Sierra Leone's development objectives will require strong mobilization of external resources, beyond currently identified commitments.** In Sierra Leone's medium-term macroeconomic framework under the PRGF, donors are expected to provide about 12.5 percent of GDP in grants and loans during 2009-12. In the accelerated poverty-reduction scenario, the PRSP-II estimates that about US\$850 million (12 percent of annual GDP) of additional external assistance will be needed during 2009-11 to fund poverty reducing expenditures and public investment beyond those projected in the medium-term macroeconomic framework. The staffs encourage the authorities to set up a coherent and comprehensive external resource mobilization strategy. To this end, staffs recommend that existing aid coordination mechanisms be reinforced and that the Government continue to show strong commitment to implement policies aimed at reducing poverty, as evidenced by satisfactory progress in the PRSP implementation. To ensure that priority areas of the PRSP-II remain protected from potential shortfalls in external resources, staffs also recommend that the Government prepare an expenditure prioritization plan consistent with the baseline poverty reduction scenario.

16. **Long-term debt sustainability warrants close monitoring.** The debt sustainability analysis (DSA) completed in June 2008 found that Sierra Leone was at a moderate risk of debt distress. However, the export outlook has been revised downward following the decline in world demand. While all debt indicators are expected to remain below the DSA thresholds in the baseline scenario, additional external borrowing to cover the resources needed in the PRSP-II accelerated poverty reduction scenario could rapidly worsen debt indicators. To avoid this, staffs recommend that the PRSP-II's financing plan rely on highly concessional resources.

IV. Sectoral Policies

A. Infrastructure³

17. **The impact of the global recession will require a reevaluation of whether the ambitious infrastructure program can be fully implemented.** In this regard, public-private partnerships may help alleviate some of the financing constraints. To exploit this possibility, however, the Government is encouraged to establish an adequate legal framework to ensure adequate protection and burden sharing for all parties.

18. **The PRSP-II recognizes the importance of the energy sector for growth and poverty reduction in Sierra Leone.** PRSP-II focuses on transformation challenges in the energy sector and policy initiatives in key areas. The PRSP-II correctly identifies key challenges in electricity supply, lessons learned from the recent crisis, and weaknesses in institutional governance. Staffs concur that additional energy sector investments are required but caution that these will not be translated into jobs and poverty reduction without additional supporting policies to exploit the availability of new power sources. Also, energy investments, particularly in hydropower, will only yield results over a longer time period. Staffs therefore recommend that alternative sources of energy such as biomass be included to provide reliable energy to the population of Sierra Leone and be made an integrated priority in the energy sector. Staffs agree that major structural reforms are urgently needed, particularly to streamline existing institutional arrangements and develop a sector-wide legal and regulatory mechanism. Also, staffs recommend that a cost-driven, formula-based electricity tariff structure be adopted and effectively implemented to ensure financial viability of the energy sector, while ensuring that safety nets are provided for low-income consumers

19. **In the transport sector, the PRSP-II heavily focuses on rehabilitation of the road network and construction of new roads.** Staffs welcome the priority given to the road sector but caution that results have fallen short of expectations for road maintenance and for institutional restructuring and financial reforms in this sector. While there has been progress in preparation of these reforms, several challenges remain. The most critical include: (i) enhancing legislation to establish an independent Roads Maintenance Fund, outside the road agency; (ii) streamlining the road agency by implementing the institutional restructuring action plan; (iii) implementing the feeder roads rehabilitation plan and transferring rehabilitated roads to the District Council; and (iv) developing a maintenance plan for the core road network. The staff supports the authorities' strategy to improve port productivity through concessions to the private sector, creation of a landlord port, and encouragement of timely implementation of the strategy.

B. Agriculture

20. **The PRSP-II rightly identifies agriculture as a key strategic sector with the potential for improving revenue generation and food security.** Agriculture is the

³ Key infrastructure sectors include water and sanitation, energy and transport (ports, airports and roads).

backbone of the economy and there are abundant opportunities to improve the livelihood of those who are engaged in the sector. The staffs support the Government's overall vision and strategy for improving agriculture productivity. However, they recommend that the proposed reform program be sequenced and better integrated with the overall rural development and pro-poor growth strategy. In particular, they propose the following recommendation for the implementation of the PRS in the agriculture sector: (i) encourage greater private sector participation in the provision of agricultural inputs and equipment as well as extension services; (ii) develop a clear vision on how the land tenure system can be transformed in order to provide better incentives for investments in agriculture; (iii) prioritize what can be achieved with short-, medium- and long-term activities;⁴ (iv) support interventions for tree crops and diversification of food sources outside of rice; (v) carefully assess the economic and social cost-benefit of farm mechanization given the existing high unemployment in some parts of the country and the unresolved debate concerning access to land and land tenure; and (vi) enhance the role of rural credit and micro-credit programs in improving agriculture productivity. In addition, the staffs recommend that attention be paid to the inter-sectoral linkages between agriculture and other sectors during the implementation stage for the promotion of agriculture.

C. Mining

21. **The PRSP-II recognizes the importance of actively promoting the metals and minerals sector which continues to represent the majority of Sierra Leone's exports.** The Government's main focus in the mining sector during the PRSP period is to strengthen the legal and regulatory framework. The PRSP-II identifies weaknesses in the current legal and regulatory framework, as well as the capacity constraints within the Ministry of Minerals. The staffs concur that strengthening the legal and regulatory framework would help promote the sector, and recommend that enforcement mechanisms also be enhanced. The role of the newly established National Mineral Agency is a positive step towards improving capacity to enforce compliance in the sector and staffs recommend that its role in the PRSP implementation be better highlighted. Staffs also recommend that mechanisms and capacity within the Government and communities be improved to strengthen their ability to align regulatory compliance of mining operations with their social and environmental obligations. The staffs observe that several offshore blocks have been allocated to firms exploring for petroleum. In the event that substantial reserves are identified, it will be important to devise a sector strategy and institutional arrangements that ensure revenue mobilization and its equitable and transparent utilization in a manner that would enhance the achievement of the general objective of poverty reduction

⁴ For example, the country is well endowed with adequate rainfall, and there is a lot to be gained by bringing actual yields closer to their potential, under rain fed conditions before committing to capital investments for irrigation.

D. Environmental Management

22. **The PRSP-II recognizes the importance of environmental management as a key challenge to reducing poverty in Sierra Leone.** The multi-sectoral nature of the environmental issues creates the need to develop and implement strategies that address environment at the national level, and to mainstream them during implementation. To help achieve the Government's agenda on the environment, the staffs recommend that the role of the Environmental Protection Agency (EPA) vis-à-vis other government institutions responsible for management of forests, fisheries, mining, energy, infrastructure, and biodiversity be more clearly defined during the implementation stage. Additionally, while the initiatives detailed in the PRSP would adequately address the country's environmental challenges, staffs encourage the Government to improve due diligence on and capacity for the enforcement of environmental standards.

E. Human Development

23. **The education strategy is consistent with the recent Education Sector Plan.** It puts forward a vision emphasizing access to basic education quality of teaching and learning, and strengthening capacity to manage the education system. Staffs agree that impressive gains have been made on increasing access to basic education and that the need is to focus on teaching and learning materials, and strengthening management capacity.

24. **Staffs, however, note that much effort is required to increase the number of qualified teachers, especially in deprived areas.** For this, pre-service training would need to target more teachers and in-service training be designed to count towards credits for teacher certification. Expanding the distance education program would also need to be vigorously implemented, since distance education has been observed to be more cost effective and capable of reaching larger numbers of trainees. Providing incentives for teachers deployed to deprived local councils will require the determination of clear and justifiable criteria for those deployed. Currently, a significant proportion of teachers teaching in deprived areas is unqualified and untrained and, in addition, is not even on government payroll. A comprehensive teacher recruitment, deployment and pay policy is required to address these issues.

25. **Staffs also note that additional effort is required to sustain the gains made in setting up an Education Management Information System (EMIS).** Two education censuses were undertaken for 2006 and 2007 and there is the need to fund and support continued education data collection and analysis. There is also a need to build capacity for planning, data collection and analysis into the EMIS activities from the school level to the central level of education administration. Staffs observe that, in the last two EMIS, data was collected and analyzed but was only used for policy decision making mostly at local council and school levels. To ensure that data is used at all levels, staffs recommend that it be disseminated comprehensively.

26. **The PRSP-II aptly notes the important links between population health, poverty, and economic growth.** It emphasizes the need to prioritize the most cost effective interventions that the public sector should support within the available resources and stresses the importance of community participation in the management of health services and the need for improved coordination of donor support. Staffs concur that inadequate health financing by the public sector and high out of pocket expenditures by the population are key constraints. However, it is unlikely that public sector spending will increase substantially in the current economic climate. The proposal to introduce health insurance is welcome, but staffs encourage the Government to proceed gradually, recognizing the financial risk and implementation challenges. Given the low rates of formal employment, any scheme will need to focus on community based insurance. Staffs also encourage the Government to improve the effectiveness and efficiency of existing resources by: (i) focusing the PRSP-II implementation on encouraging healthy behavior of the population; (ii) enhancing the productivity of existing personnel by improving their geographical distribution and introducing performance incentives; and (iii) strengthening logistics management to ensure that drugs and supplies actually reach the intended beneficiaries.

27. **The PRSP-II presents a variety of programs geared towards social protection, prevention, promotion and transformation.** However, there is a need to clearly identify sources of vulnerability and target populations and the required priority actions in the Government's social protection agenda. While the PRSP-II provides a good framework and an overview of existing programs, staffs recommend that the Government finalize the social protection strategy (currently under preparation) and prioritize key programs to address short-term and systemic vulnerability (i.e. economic and climactic shocks and access to basic services and employment). In view of resource constraints and the nature of vulnerability in Sierra Leone, it would be advisable to focus the Government's strategy on prevention and promotion activities to support: (a) the structural poor, namely those who will need continued social assistance, and (b) those who do not have adequate means to improve their livelihoods. A thorough analysis of the existing, already dispersed safety net programs would be very beneficial to determine the exact magnitude of resources spent, impact on the targeted populations and gaps. Based on this kind of analysis, staffs also recommend that the strategy define specific outcomes and prioritize interventions to achieve those outcomes in order to maximize the impact of existing limited resources.

V. Cross-Cutting Issues

A. Private Sector Development

28. **The Government's strategy for private sector development focuses on the maintenance of an enabling environment provided by a facilitating state.** The main elements of the private sector development strategy include: (i) improving access to finance; (ii) improving the legal and regulatory framework; (iii) promoting and supporting entrepreneurship; (iv) making markets work better; and (v) improving physical infrastructure. In addition, the authorities intend to promote investments in

productivity and competitiveness, improve access to land with stronger property rights, and harness international linkages in trade and foreign investment.

29. **The staffs concur that these elements form a viable and credible strategy.** The staffs welcome the emphasis on enterprise and skills development in the strategy, including the focus on youth employment. The staffs note in particular that the sustained distribution of affordable electricity, reduction of post-harvest agricultural losses, and improved road maintenance will make significant contributions to productivity. Going forward, the authorities may want to take active steps to encourage the formalization of Sierra Leone's predominantly informal economy. Staffs believe that it will be important to ensure that the legal and regulatory framework is not undermined by interventions that respond mainly to vested interests rather than fully addressing weaknesses faced by all participants in the private sector.

B. Governance and Decentralization

30. **The PRSP-II recognizes that achieving progress on good governance is a precondition for realizing its strategic priorities.** As correctly identified, governance matters for the quality and quantity of public and private investment through its impact on the business climate and regulatory environment. In addition, in staffs' view, governance deficits have significant negative effects across the broad field of the management of public funds and organizations, the delivery of services and the establishment of positive norms for civil service operations. Performance across sectors is impacted by weak transparency in terms of how decisions on public service provision and resource allocations are made. Similarly, accountability arrangements and the framework for checks and balances remain underdeveloped, while corruption continues to affect transactions in the country. Weak parliamentary oversight and low public participation in public policy making and implementation is also a bottleneck for improving the quality of governance. Furthermore, it is critically important to recognize that a successful effort to strengthen good governance requires (particularly in civil society) both the supply and demand sides of intervention. Thus, staffs recommend that the Government systematically address issues of transparency, accountability, and participation in each strategic priority area, as well as different levels of governance, i.e. institutional, organizational, and technical.

31. **The PRSP-II identifies decentralization as a key cross-cutting theme critical for economic development.** The PRSP-II is consistent with the draft decentralization policy framework and details key steps aimed to advance the decentralization reform agenda and decentralized service delivery. Key areas of focus are: deepening the national democratic process, supporting community participation in the decentralization process, and fostering transparency and accountability of decentralized basic service delivery. In this context, staffs recommend that these interventions be accompanied by efforts to strengthen capacity at the local level (which remains limited) to mitigate the risk of creating regional imbalances and marginalization in terms of political and economic development. Staffs recommend that the regulatory framework be further strengthened to ensure effective devolution of responsibilities from the central to the local government (in

particular on human resource management), provide clear guidelines on the intergovernmental fiscal transfers, and delineate the roles and responsibilities of the Chiefdoms.

32. **The PRSP-II recognizes and staffs agree that building an effective and accountable public service is critical for achieving the strategy's objectives.** In this regard, staffs note that an ambitious public sector reform program is envisaged during the PRSP-II implementation period. The reforms include planned improvements in pay and incentives, training, and human resource management. Staffing levels in the lower grades are to be reduced, with measures included to mitigate the social cost of retrenchment. Local councils are to be empowered to better lead and implement human resource management decisions at the local level, including management of central staff seconded to local governments.

33. **In addition to these useful policies, the authorities may wish to consider a program of active recruitment for technically skilled staff.** There is a pronounced deficit in the mid-level grades and an impending deficit in the upper grades as many senior staff come close to (or pass) retirement age. The first steps in creating an accountable civil service have been taken by requiring performance contracts for each minister. The next step would include performance- and merit-based promotions for most civil servants. Successful decentralization of public service delivery will require improvements in capacity, incentives, managerial authority, and accountability. It is recommended that the steering committee for this reform (established by the President) set up robust mechanisms to monitor the implementation of the program and translation of program inputs/activities into effective service delivery outcomes.

C. Youth Employment

34. **Staffs welcome the PRSP-II's focus on employment creation as a critical element of a poverty reduction strategy, particularly for the youth.** Staffs note that the proposed plan relies on the Government to either create jobs or subsidize their creation. Such job programs can play a useful short-term role but they are, by their nature, unsustainable. Staffs recommend that the Government focus on a select number of key programs, building on lessons learned from existing programs. Going forward, the authorities may wish to consider more fundamental reforms. On the one hand, Sierra Leone is one of a very few countries with a growing dependency ratio, meaning the youth population is growing faster than the adult population. This places undue pressure on the job market, pushing down wages for the younger members of the workforce. This problem is best addressed through sustained interventions in the health and education sector, for girls and women in particular. On the other hand, the private sector has far more potential than government to generate jobs (due to its sheer size). Thus, the authorities may wish to leverage their private sector development strategy in support of private sector job creation.

VI. Implementation Risks, Monitoring and Evaluation of PRSP-II

35. **The results monitoring framework of the PRSP-II is being finalized.** Staffs recommend that the outcome indicators be further streamlined, their number be reduced to focus on critical ones, and baselines and realistic targets established. Also, it is recommended that the selection of outcome indicators be determined according to their links with the PRSP-II priority actions and the availability of the required data on a regular basis, and be supported by a detailed M&E plan.

36. **Staffs recommend that the monitoring of the PRSP-II be anchored onto a national M&E system developed around these core indicators.** The development of the national M&E system rests on (i) the implementation of the National Strategy for the Development of Statistics (NSDS) for 2008-2012 including the Integrated Household Survey, Labor Force Survey and National Agricultural Census; (ii) the strengthening of M&E efforts and capacities of Local Councils, districts and MDAs, notably by developing M&E training manuals for the national and local levels, undertaking an extensive capacity building program and establishing an incentive and reward system; and (iii) the alignment with reform initiatives in the public sector and greater emphasis on social accountability in basic services delivery. Staffs recommend that the tracking of core indicators be costed and incorporated into the MTEF and a clear communication strategy for the PRSP-II and its results be formulated.

37. **There are several risks factors which could affect the successful implementation of the PRSP-II.** The projected fiscal resources may not be achieved as a result of exogenous shocks—stemming from a prolonged global recession or rapid rise in international commodity prices for food or fuel, the emergence of unexpected and unavoidable expenditure obligations, or a reduction in official aid flows. The authorities intend to mitigate these risks through continuous dialogue with the IMF and the World Bank and prudent fiscal and monetary policies. The authorities also intend to continue working closely with donor partners which include the AfDB, the World Bank Group, and the UN agencies (including the United Nations Peace Building Fund) to mobilize the resources required to maintain macroeconomic stability and government priority expenditures. The authorities also intend to gain additional resources by broadening the donor base, both for budget and project financing.

38. **Political instability could constrain effective PRSP-II implementation.** Political tensions between two leading political parties led to a limited outbreak of violence in March 2009. This was followed by an agreement between the two parties in April 2009 to seek consensus on the role of ruling and opposition parties, reject violence, and resolve the ongoing tensions. To avoid such risks in the future, the authorities intend to work closely with the UN Peace Building Commission and other agencies on programs related to consolidation of the peace established in 2002 and strengthening of democratic institutions and the judicial system.

39. **Lack of skilled staff or issues of accountability may also affect PRSP-II implementation at the central or local levels.** This risk will be mitigated by the

planned strengthening of key human resource management offices, notably the Public Service Reform Unit under the Office of the President and the Human Resource Management Office. Given the wide range of ministries and agencies with roles and stakes in the outcome of public service reform, the authorities may wish to further reduce risks by clarifying roles and quickly establishing a wide coalition in support of necessary reforms.

VII. Conclusions and Issues for Discussion

40. **The PRSP-II presents a comprehensive medium-term strategy for economic growth and poverty reduction in Sierra Leone.** Economic growth and poverty reduction will be substantially advanced if the four PRSP-II priorities are achieved. The sustained provision of affordable power, support to agriculture (particularly for the reduction of post-harvest losses), and a more usable national transportation network will all contribute to higher private sector productivity, growth, and poverty reduction. Achievement of the fourth priority, the continued provision of health and education services on an increasingly decentralized basis, will help improve outcomes through increased local access and accountability. The concurrent emphasis on good governance and macroeconomic stability is appropriate since these are prerequisites for broad-based growth.

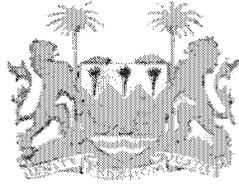
41. **Looking ahead, the staffs identified several areas for strengthening the PRSP-II during its implementation:**

- reassessing the expenditure path presented in the PRSP-II to ensure budget sustainability over the medium term, evaluating risks from contingent liabilities accumulated over past years and adopting regulatory reforms that would prevent their further accumulation.
- establishing an adequate legal framework to ensure adequate protection and equitable burden sharing for all parties entering into public-private partnerships.
- accelerating implementation of structural reforms in the power sector, particularly to streamline existing institutional arrangements and develop a sector wide legal and regulatory mechanism. Among these, staffs recommend that a cost-driven, formula-based tariff structure be adopted and effectively implemented to ensure the sector's financial viability, while ensuring that safety nets are provided for low-income consumers.
- placing more emphasis on road maintenance, with adequate backing from an independent Roads Maintenance Fund, outside of the road authority.
- sequencing and better integrating the agricultural reform program with the overall rural development and pro-poor growth strategy, with a focus on encouraging greater private sector participation in the provision of agricultural inputs, equipment and extension services, transformation of the land tenure system, interventions for tree

crops and diversification of food sources outside of rice, and enhancing the role of rural credit and micro-credit programs in improving agriculture productivity.

- strengthening the ability to enforce legal and regulatory compliance of mining operations with social and environmental obligations.
- adopting a comprehensive teacher recruitment, deployment and pay policy in order to resolve issues of unqualified teachers and payroll management.
- proceeding gradually with the proposal to introduce health insurance and focusing initially on community based insurance.
- providing further legal and regulatory guidance on the devolution of responsibilities from the central to the local government (particularly with respect to the devolution of human resource management responsibilities), on the intergovernmental fiscal transfer system, and the delineation of the roles and responsibilities of the Chiefdoms.
- increasing government capacity to implement the PRSP-II, recruiting technically skilled staff and gradually extending performance and merit-based promotions for most civil servants.
- costing the tracking of the core PRSP-II monitoring indicators, incorporating it into the MTEF, and formulating a clear communication strategy for the PRSP-II and its results.

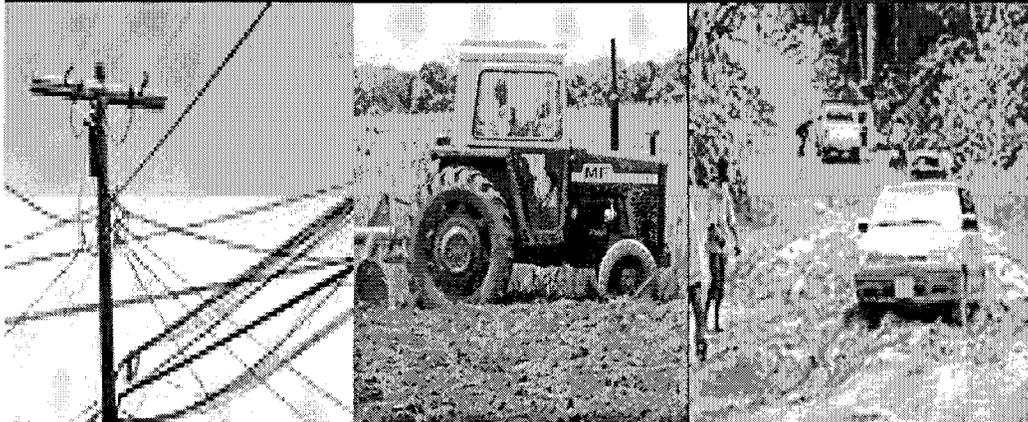
42. **In considering the PRSP-II and associated JSAN, Executive Directors' views are sought** on whether they agree with the main areas identified by staffs as priorities for strengthening the strategy and its implementation, and areas identified as key implementation risks.



THE REPUBLIC OF SIERRA LEONE

An Agenda for Change:

Second Poverty Reduction Strategy (PRSP II)
2008-2012



OUR AGENDA FOR CHANGE

In the course of implementing our first Poverty Reduction Strategy, considerable progress was made in key areas, especially in consolidating peace and security after a decade long civil conflict. Relatively high economic growth rates were also achieved as well as low inflation and macroeconomic stability. However, Sierra Leone's main economic indicators continue to lag behind sub-Saharan Africa, while extreme poverty remains pervasive. Consequently, over 60% of our people are unable to afford one decent meal a day. This abject poverty is compounded by significant problems in the health and educational sectors. As a result Sierra Leone has consistently ranked at the very bottom of the UN Human Development Index.

Since my Government took office in 2007, we have strived to chart a bold new path for accelerating the advancement of our country on all fronts. Our vision and strategies are articulated in my "Agenda for Change", which together with the outcomes of other consultative processes form the basis of our medium term Second Poverty Reduction Strategy.

The Agenda for Change reflects our people's belief that the government they elected in a free and fair election will work in partnership with them to improve their social and economic conditions. Sierra Leoneans have on many occasions demonstrated a deep commitment to building a democratic, prosperous and tolerant nation, in which the ties of friendship, citizenship and kinship triumph over divisive efforts of extremists. There is no better way to acknowledge this commitment than to work in partnership with every stakeholder to address widespread poverty, hunger, unemployment, as well as high infant and maternal mortality.

As a Government, and in partnership with our people and international friends, we believe that only an economic transformation of the country over the coming years will enable us to address these challenges. Broad-based economic growth is the primary route out of poverty. Our current economic growth rate is around 6.5% per annum and if we maintain this growth rate, by 2018, Sierra Leone's GDP will reach \$350 per capita, meaning that the majority of Sierra Leoneans will still live on less than \$1 per day. Therefore to reduce poverty significantly and improve the lives of the majority of Sierra Leoneans we need to achieve an annual growth rate of 10% or more. Our strategy to achieve this is based on a complete transformation of our economy. But this will require substantive investment in supportive infrastructure, improved delivery of social services, and private sector development.

Priorities

Based on this strategy, our Agenda for Change focuses on four key priorities:

First, we must provide a reliable power supply to the country. This will be done through improving the management and regulation of the energy sector, strengthening revenue collection and increasing generating capacity. Provision of reliable power supply will be made possible by completing the Bumbuna Hydroelectric Project, including the connection of selected provincial towns to the power lines from Bumbuna and enhancing our transmission and distribution networks. We will also embark on the development of new sources of power throughout the country, including the competitive sourcing of private sector investment. In the medium to long term, we will focus on broadening access to electricity throughout the country, with particular hopes for mini-hydro schemes, given the topography and high rainfall the country enjoys.

Second, from a pro-poor growth perspective, raising quantity and value-added productivity in agriculture and fisheries is critical to poverty reduction as the majority of Sierra Leoneans are engaged in agricultural and fishing activities. We have identified the development of agribusiness as strategic because of the possibilities it represents for food security, revenue generation and wealth creation. Specifically we will:

- i. Increase agricultural productivity; in particular among the rural poor smallholders, who constitute the poorest segment of society, through a variety of support measures along the entire agricultural value chain, from pre-planting to marketing.
- ii. Promote diversified commercial agriculture through the private sector;
- iii. Improve agricultural research and extension service delivery;
- iv. Promote efficient and effective resource management systems;
- v. Improve agricultural output through value addition, post harvest loss reduction, agro-processing, packaging and building rural market infrastructure;
- vi. Manage and exploit Sierra Leone's fishery and marine resources.

In the area of fisheries, we will focus on providing adequate surveillance capabilities, facilitate the lifting of the ban on fish exports to EU markets, improve the infrastructure and support services for commercial fishing, provide adequate extension support for artisanal fishermen and strengthening the capacity of the Ministry of Marine Resources.

Third, we will develop a national transportation network to enable the movement of goods and people and thereby facilitate increased investment and economic activity. Improving road, river and air transport will be a priority for the next few years. We will develop and implement projects that focus on the rehabilitation of 2,055 Kilometres of feeder roads and of 160 Kilometres of roads in major provincial towns. This will be coordinated to ensure that the agriculturally productive regions have the feeder roads that will enable our farmers to market their produce in a timely manner and increase their income through significant reduction in post harvest losses. To facilitate the movement of people, goods and services, we will rehabilitate and construct highways between the major urban centres in Sierra Leone as well as highways between Sierra Leone and neighbouring countries. In the medium to long term, we envisage the construction of a ring road in Freetown which will transform our capital city into the marvel of the sub-region, with circles of coastal roads linking up with hillside roads to give the capital a 21st century road network. We will also explore the possibility of constructing a ring road that will connect all the major cities.

The transit between the International Airport at Lungi and the capital is very problematic and discourages potential international investors and tourists alike, resulting in significant economic losses. Our immediate priority is to upgrade the link, through a combination of public and private investment in jetties, ferries and roads to allow access by water, road and air. In the medium to long term, we plan to upgrade the International Airport and other domestic airfields. The country has good potential for sea and river transport. However, our jetties are derelict, ferries irregular, and many of our boats unsafe. My Government will reconstruct ten jetties and install navigational aids and communication equipment. In addition, we will provide new ferries that will facilitate the movement of people from the international airport to the capital city, and thereby enhancing tourism, which has the potential to provide quality jobs especially for the youth.

Fourth, in order to maintain the progress we will make, we must ensure sustainable human development through the provision of improved social services. Effective delivery of basic social services is essential for ensuring economic growth and poverty reduction. We are committed to bringing the service delivery closer to the people, by pushing forward our policy of decentralization and devolution of service delivery functions to local councils.

In education, activities will be aimed at improving access to education and raising the completion rate, especially for primary and junior secondary schools; improving the quality of education through extensive training programmes for teachers; providing adequate teaching and learning materials; improving the conditions of service for teachers especially in remote areas; providing early childhood care for more children; and encouraging the girl child to attend and complete school.

In health, our major focus will be on reducing mortality rates, especially for infants and young women. We will scale up the minimum package of essential services, including immunization, utilization of treated bed nets, promotion of early and exclusive breastfeeding, and promotion of *family planning* as well as making available minimum maternal and neonatal health care systems. Given the clear links between health and access to safe drinking water, we will continue to invest in wells and gravity fed water systems throughout the country. In addition, the prevention of HIV/AIDS and mitigating its effects will remain a priority of the Government. We will utilize the various levels of leadership to play an active role in combating HIV/AIDS. In the medium term we will develop and implement a health insurance scheme that would improve the quality of health facilities and increase access to these facilities.

Principles

These strategic priorities will be underpinned by measures to consolidate peace, ensure good governance and develop an enabling environment for economic growth. It is our conviction that economic transformation is possible without a transparent, accountable and effective public sector dedicated to providing supportive policies and actions. In this respect, our plan is to reform the public sector, support the private sector, modernize the financial sector, and take robust action on corruption. Accordingly, the Government will continue to work in the following areas:

Good Governance: Rule of law, human rights, and peace and security are essential prerequisites for sustainable growth and economic development. We are committed to ensuring peace building and consolidation, improving national security, reforming the public sector, enforcing the National Anti-Corruption Strategy, improving access to justice and human rights, and promoting positive attitudinal change.

Macroeconomic Stability: The main challenges to achieving macroeconomic stability are the unpredictability of budget support, weak revenue performance, external shocks and the high domestic debt burden. We will mitigate these challenges by instituting measures to increase domestic revenue collection, limit domestic borrowing, enhance budget and public expenditure management and strengthen the process of fiscal decentralisation.

Financial Sector and Private Sector Development: My Government is convinced that greater private sector participation in the economy will raise productivity and employment in all productive sectors. To encourage increased private sector participation, we will endeavour to remove barriers to investment through improving the physical infrastructure, strengthening the legal and regulatory framework, promoting business support services and improving access to finance, especially for Small and Medium Enterprises. An efficient and effective financial system will be crucial for financing private sector activities. The over-riding priorities in this area are to strengthen the commercial banking system and improve its competitiveness, enhance rural financial access through microfinance institutions and community banks, and strengthen the enabling environment through the legislative, regulatory and policy infrastructure.

Managing Natural Resources. Sierra Leone is endowed with a wide variety of natural resources, including large deposits of minerals, abundant fertile agricultural land, and a deep natural harbour. Poverty in Sierra Leone can only be overcome by harnessing these advantages to create an economic transformation of the nation, while ensuring that the benefits of this growth are shared widely and lead to the betterment of the lives of the people. Mining, tourism and land management are three key areas which have a significant impact on economic growth. In the mining sector we will focus on strengthening the legal and regulatory framework to ensure that returns benefit the population, while in tourism we will focus on improving the public image of Sierra Leone and building the necessary infrastructure. Land management will concentrate on ensuring clear ownership and use of land through the development of land management systems.

Major Risks

Corruption: In order to secure our future, we must overcome a permissive attitude towards corruption. My Government remains committed to rooting out corruption. Parliament recently approved a more stringent anti-corruption law and provided substantial powers to the Anti-Corruption Commission. I will continue to put in place measures for a more transparent government.

Illicit Drugs: The recent surge in illicit drug trafficking from Latin America through Western Africa to Europe poses a great danger for the security and stability of Sierra Leone. My Government remains committed to fighting all forms of illicit drug trafficking and I call on the international community to stand shoulder to shoulder with Sierra Leone in this fight.

Youth Unemployment: About 70% of our young people are unemployed. This situation not only deprives the country of its most valuable human resource but if not checked, could also result in social unrest and threaten the country's peace and security. My Government remains committed to providing opportunities to our young people in order to integrate them into the economy. I call on the international community to support Sierra Leone in this endeavour.

Monitoring and Evaluation

To effectively monitor and evaluate the Agenda for Change, we will develop and implement a comprehensive framework that is results-focused, transparent, efficient, and has local relevance. We have started with the introduction of Ministerial Performance Contracts, which set the annual targets for each Minister and are reviewed on a quarterly basis.

Financing

The availability of adequate resources to fund programmes identified in the second PRSP-Is critical for sustainable growth and poverty reduction in Sierra Leone. Total funding required for the successful implementation of the Agenda for Change is estimated at US\$1.9billion. Government and development partners have committed US\$1.1 billion within the current Medium Term Expenditure Framework for 2009-11.

While we put this assistance to good use, we will seek further resources of about \$850 million. Additional domestic funding for the PRSP will be mobilised through broadening of the domestic tax base, improving compliance and hence revenue collection. External resources will be mobilised through Consultative Group meetings and Sector Round Table discussions, improving on Sierra Leone's Country Policy and Institutional Assessment (CPIA) ratings, exploring carbon sequestration, and maximising Public Private Partnerships.

In order to increase the number of external development partners and augment the level of international financial assistance we will establish the necessary aid modalities, including trust funds. We will also provide more detailed breakdown of costs for various interventions, for which we seek financing, well in advance of the next Consultative Group meeting.

We are mindful of the current global economic downturn, and the challenges it poses for our efforts. These challenges can be overcome by continued partnership, hard work and realization that a threat to human well-being anywhere is a threat to humans everywhere. Together we can deliver and I pledge my Government's continued commitment to working with the people of this country and our development partners to ensure our growth, prosperity and a better future for all the people of Sierra Leone.

Dr. Ernest Bai Koroma

President of the Republic of Sierra Leone

TABLE OF CONTENTS

PART ONE: POVERTY, EMPLOYMENT AND GROWTH	1
1 PRSP-I – ACHIEVEMENTS, LESSONS AND REMAINING CHALLENGES	2
1.1 Progress and Achievements	3
1.2 Remaining Challenges	5
1.3 Lessons Learned.....	7
1.4 The Preparatory Process for PRSP-II.....	8
1.5 Structure of PRSP-II	10
2 POVERTY AND EMPLOYMENT TRENDS 2003-2007	11
2.1 Trends in Poverty between 2003 and 2007	11
2.2 Trends in Human Development Indicators.....	16
2.3 Conclusion	19
3 SOURCES OF AND CONSTRAINTS ON GROWTH.....	20
3.1 Growth and Poverty Nexus	20
3.2 A Strategy for a Step-Change in Growth	22
PART TWO: STRATEGIC PRIORITIES.....	24
4 ENHANCING NATIONAL ELECTRICITY	25
4.1 Overview: Energy in Sierra Leone	25
4.2 Economic and Social Impact of Adequate and Affordable Energy.....	25
4.3 Constraints and Opportunities in the Energy Sector	27
4.4 Strategies for developing national electricity	28
5 DEVELOPING THE NATIONAL TRANSPORTATION NETWORK	35
5.1 Overview: National Transport Systems	35
5.2 Improving the Road Network.....	35
5.3 Improving River Transportation.....	40
5.4 Upgrading Lungi International Airport.....	40
5.5 Developing the Freetown Ports.....	41
5.6 Reintroducing Rail Transportation	41
6 ENHANCING PRODUCTIVITY IN AGRICULTURE AND FISHERIES.....	42
6.1 Agriculture	42
6.2 Marine Resources.....	48
7 SUSTAINING HUMAN DEVELOPMENT.....	53
7.1 Education	53
7.2 Healthcare	57
7.3 Water and Sanitation	63
7.4 Social Protection	67
7.5 Gender.....	69
7.6 Promoting Employment	71
PART THREE: SELECTED PRECONDITIONS FOR ACHIEVING THE STRATEGIC PRIORITIES	75
8 SUSTAINING PEACE, SECURITY AND GOOD GOVERNANCE	76
8.1 Peace Building Commission and Peace Building Fund	76
8.2 Ensuring National Security	77

8.3	Local Governance and Decentralisation.....	79
8.4	The Agenda for Fighting Corruption,.....	80
8.5	Equitable and Affordable Justice and Human Rights.....	82
8.6	Attitudinal Change	84
9	SUSTAINING MACROECONOMIC STABILITY.....	87
9.1	Medium Term Macroeconomic Forecasts	87
9.2	Fiscal Policy and management.....	88
9.3	Public Financial Management.....	92
9.4	Monetary Policy	93
9.5	External Sector Policies	94
9.6	Exchange Rate Policy	94
9.7	Export Promotion and Diversification	94
9.8	Public Debt Management Strategy.....	95
10	GROWING THE PRIVATE SECTOR.....	99
10.1	Private Sector Development During PRSP-I.....	99
10.2	A Framework for Private Sector Development During PRSP-II.....	101
10.3	Improving Access to Finance by Building and Sustaining a Responsive Financial Sector.....	102
10.4	Improving the Legal and Regulatory Framework	108
10.5	Promoting and Supporting Entrepreneurship	109
10.6	Making Markets Work Better	110
10.7	Improving the Physical Infrastructure.....	110
11	FRAMEWORK FOR EFFECTIVE MANAGEMENT OF NATURAL RESOURCES	112
11.1	Tourism and Economic Development.....	112
11.2	Enhancing the Contribution of Mining to Economic and Social Development	114
11.3	Land Management and the Environment	116
11.4	Enhancing the Contribution of Forestry to Economic and Social Development.....	119
PART FOUR: FINANCING, IMPLEMENTATION, MONITORING AND EVALUATION OF THE PRSP.....		
		121
12	PRSP-II FINANCING REQUIREMENTS: A SUSTAINABLE FISCAL ENVELOPE.....	122
12.1	Sources of Funds	122
12.2	A Sustainable Fiscal Envelope for Implementing PRSP-II.....	123
12.3	Strategies For Resource Mobilisation	128
13	IMPLEMENTATION, MONITORING AND EVALUATION.....	131
13.1	Strategy to Disseminate Information.....	131
13.2	Building Capacities to Implement, Monitor and Evaluate the PRSP-II	133
13.3	Monitoring and Evaluation of PRSP-II.....	137
13.4	Key M&E Agencies	138
13.5	M&E Tools	139
13.6	Implementation, Monitoring and Evaluation Requirements	141
13.7	PRSP-II Information Flows.....	142
13.8	PRSP-II as a Broader GoSL Monitoring and Evaluation Framework.....	144
14	MAINSTREAMING STATISTICS INTO PRSP	145
14.1	Introduction.....	145
14.2	The National Strategy for the Development of Statistics (NSDS)	145
14.3	Data Dissemination	148

15 RISK ASSESSMENT.....	149
15.1 Endogenous Risks	149
15.2 Exogenous Risks	150
ANNEX 1: COSTED ACTIVITY MATRIX.....	152

LIST OF TABLES

Table 1: Donor Disbursement for PRSP	5
Table 2: Percentage of Households Owning Certain Assets in 2007.....	12
Table 3: Likely Trend in Headcount Index of Poverty between 2003 and 2007	13
Table 4: Labour Force Participation Rate (15-64) by Gender, Area and Quintile, 2003 and 2007	14
Table 5: Share of Employment by Sector and Region, 2003 and 2007 (%)	15
Table 6: Employment Shares by Type of Employer, 2003 and 2007 (%)	16
Table 7: Trends in Human Development Indicators (2000 and 2005 MICS surveys).....	17
Table 8: Generation Capacity by Region.....	31
Table 9: Current State of the Road Network	36
Table 10: Regional Distribution of Road Network.....	36
Table 11: Expected Status of Road Network After Five Years	37
Table 12: Minimum Road Network Investment Cash Outlay per Financial Year	37
Table 13: Inland Waterways.....	40
Table 14: Trends in Major Poverty Reduction Strategy (PRS) Agricultural Indicators	43
Table 15: Value of Agricultural Export (US\$)	45
Table 16: Economic Value of Sierra Leone Fish Resources.....	51
Table 17: Stock of Medical Personnel in the Ministry of Health and Sanitation.....	59
Table 18: Sierra Leone: Medium Term Macroeconomic Framework, 2006- 2012	91
Table 19: External Debt in Million (US\$ 2005-June 2008).....	96
Table 20: PSD Activities Implemented During PRSP-I	100
Table 21: Ease of Doing Business Ranking 2009.....	109
Table 22: Mining Potential of Sierra Leone	115
Table 23: Baseline Scenario- MTEF Poverty Estimates (US\$ '000).....	125
Table 24: Accelerated Poverty Reduction Scenario	126
Table 25: Estimated financing gap	127

LIST OF FIGURES

Figure 1: Results of the Nationwide Consultations	9
Figure 2: Sierra Leone GDP Growth	21
Figure 3: Investment in Sierra Leone (% of GDP)	22
Figure 4: Percentage Distribution of Households by Fuel Used for Lighting	29
Figure 5: Percentage Distribution of Households by Fuel Used for Cooking	29
Figure 6: Generating Capacity 2001-2008 (GWh)	30
Figure 7: Trend in Crop Production (thousand metric tonnes)	43
Figure 8: Trend in Livestock Production (head).....	44
Figure 9: Value of Agricultural Export (US\$).....	46
Figure 10: Sierra Leone Fisheries Production Trend, 1991-2007.....	49
Figure 11: Potential Yields for the Sierra Leone Fishery	50
Figure 12: Sierra Leone Fisheries Revenue, 1997-2007.....	50
Figure 13: A Framework for Pro-Poor Private Sector Development.....	101
Figure 14: WTTC Projection of Tourism Receipts in Sierra Leone	113

ACRONYMS

ACC	Anti-Corruption Commission	HRMO	Human Resource Management Office
AML	Anti-Money Laundering	ICT	Information, Communications Technology
BADEA	Arab Bank for Economic Development in Africa	IDA	International Development Association
BKPS	Bo-Kenema Power System	IFMIS	Integrated Financial Management Information System
BOT	Build, Operate and Transfer Project Financing Arrangements	IMF	International Monetary Fund
BSL	Bank of Sierra Leone	IPT	Intermittent Preventive Malaria Treatment Of Pregnant Women
CFT	Combating Financing of Terrorism	IPPs	Independent Power Providers
CG	Consultative Group	ITN	Insecticide-Treated Bed Nets
CPIA	Country Policy and Institutional Assessment (IDA)	JCC	Joint Coordinating Committee
CSO	Civil Society Organisations	JIC	Joint Intelligence Committee
CWIQ	Core Welfare Indicator Questionnaire Survey	JICA	Japan International Corporation Agency
DACO	Development Assistance Co-ordination Office	MCH	Maternal & Child Health
DEPAC	Development Partnership Committee	MDAs	Ministries, Departments and Agencies
DISEC	District Security Committee	MDBS	Multi-Donor Budgetary Support
DSA	Debt Sustainability Analyses	MDGs	Millennium Development Goals
DTIS	Diagnostic Trade Integrated Study	MDRI	Multilateral Debt Relief Initiative
DWG	District Working Group	MFMR	Ministry of Fisheries and Marine Resources
ECCE	Early Childhood Care and Education	MICS	Multi Indicator Cluster Survey
ECOWAS	Economic Community of West African States	MoFED	Ministry of Finance and Economic Development
EIA	Environmental Impact Assessment	MSME	Micro, Small and Medium-sized Enterprises
EPA	Environmental Protection Agency	MTEF	Medium-Term Expenditure Framework
ESP	Education Sector Plan	NACS	National Anti-Corruption Strategy
ETLS	ECOWAS Trade Liberalization Scheme	NaCSA	National Commission for Social Action
EU	European Union	NASSIT	National Social Security and Insurance Trust
FPA	Fisheries Partnership Agreement (EU)	NCCT	National Coordinating Committee on Trade
FSAP	Financial Sector Action Plan		
GDP	Gross Domestic Product		
GoSL	Government of Sierra Leone		
GST	Goods and Services Tax		
HIPC	Heavily Indebted Poor Countries		

NCP	National Commission for Privatisation	PSD	Private Sector Development
NEC	National Election Commission	REPO	Repurchase Agreements
NGO's	Non-Governmental Organisations	SALW	Small Arms and Light Weapons
NPA	National Power Authority	SLEDIC	Sierra Leone Export Development and Investment Corporation
NRA	National Revenue Authority	SLETFUND	Sierra Leone Enterprise and Skills Development and Training Fund
NSC	National Security Council	SLIEPA	Sierra Leone Investment and Export Promotion Agency
NSCCG	National Security Coordinating Group	SLIHS	Sierra Leone Integrated Household Survey
NSDS	National Strategy for the Development of Statistics	SLRA	Sierra Leone Roads Authority
NTC	National Technical Committee	SME	Small and Medium Sized Enterprises
NWRB	National Water Resources Management Board	SP	Social Protection
ONS	Office of National Security	SRN	State Registered Nurse
PETS	Public Expenditure Tracking Survey	SSA	Sub-Saharan Africa
PFM	Public Financial Management	SSG	Security Sector Group
PHU	Peripheral Health Unit (Primary Health Care)	SSL	Statistics Sierra Leone
PMC	Performance Management Contract	SSR	Security Sector Review
PMTCT	Prevent Mother to Child Transmission	STI	Sexually Transmitted Disease
PPA	Participatory Poverty Assessment	VCCT	Voluntary Counselling and Confidential Testing
PRGF	Poverty Reduction and Growth Facility	UNDP	United Nations Development Programme
PROSEC	Provincial Security Committee	UNICEF	United Nations Children's Fund
PRS	Poverty Reduction Strategy	UNIDO	United Nations Industrial Development Organisation
PRSP	Poverty Reduction Strategy Paper	VCCT	Voluntary and Confidential Counselling and Testing
PRSP-I	First Poverty Reduction Strategy Paper	WFP	World Food Program
PRSP-II	Second Poverty Reduction Strategy Paper	WTTC	World Tourism and Travel Council

PART ONE: POVERTY, EMPLOYMENT AND GROWTH

This first part of the document is subdivided into three sections. Chapter one covers the review of the implementation of PRSP-I which summarises achievements and progress made under each of the pillars, lessons learnt from implementation, and remaining challenges to achieve the goals set in the PRSP 1. The section also describes the process of developing the second PRSP, and the structure of the second PRSP.

Chapter two gives an analysis of poverty and employment trends during the implementation of PRSP 1. Assets-based poverty, GDP growth, and human development indicators are further analysed in this section to determine the trend of poverty between 2003 and 2007.

Chapter three covers a growth diagnostic. The growth and poverty nexus gives an insight into the level of growth that is required for any significant poverty reduction and identifies the areas where Government needs to invest as a priority.

1 PRSP-I – ACHIEVEMENTS, LESSONS AND REMAINING CHALLENGES

Sierra Leone developed its first Poverty Reduction Strategy in the form of an Interim Poverty Reduction Strategy in 2001. This was designed to address the challenges of transition from war to peace by focusing on three key areas: restoring national security and good governance; re-launching the economy; and providing basic services to the most vulnerable groups. This was complemented in 2002 by a National Recovery Strategy based on district and local recovery plans that emphasised the consolidation of state authority, peace-building, promotion of reconciliation, enforcement of human rights, resettlement, reintegration and the rebuilding of communities.

Subsequently, a long-term sustainable development plan entitled “Sierra Leone Vision 2025” was published in 2003, and it provided a long-term framework for development planning and management. This was followed by the first full Poverty Reduction Strategy Paper (PRSP-I), which was developed for the 2005-2007 period. PRSP-I reflected a move away from immediate post-conflict concerns and was constructed around three pillars: the first pillar focused on good governance, peace and security; the second on food security and job creation; and the third on growth and human development.

Upon embarking on the second PRSP process, a review was undertaken of PRSP-I to highlight the achievements and lessons learned from its planning and implementation. Furthermore, a diagnostic study was conducted to identify drivers of growth in Sierra Leone. Based upon these findings, it was clear that only economic growth could provide the basis for poverty reduction in Sierra Leone, and consequently the focus of the second PRSP (PRSP-II) should be on the promotion of transformational economic growth. The diagnostic study and analysis of the poverty profile has helped to identify the key sectors which will form the strategic priorities for PRSP-II. Also, in order to generate a sustainable rate of economic growth, PRSP-II emphasises the need to develop an enabling environment to support the private and productive sectors of the economy, and identifies four key enablers and drivers of growth. Finally, PRSP-II has sought to strengthen the implementation process to ensure that strategies are rolled out and implemented effectively by line ministries, departments and agencies.

This chapter provides an overview of the experience of PRSP-I and the lessons learned from that process. It reviews macroeconomic performance from 2005-2007 to give the economic background, outlines the preparatory process for PRSP-II, and lays out the structure of this document.

1.1 PROGRESS AND ACHIEVEMENTS

PRSP-I was prepared through extensive consultations involving open dialogue between key stakeholders including Ministers, Parliamentarians, local authorities, non-state actors and development partners. An assessment of the achievements of each pillar follows below.

1.1.1 PILLAR 1: PROMOTING GOOD GOVERNANCE, PEACE AND SECURITY

Public sector governance - Efforts to reform the public sector have not been very successful and the lack of a comprehensive civil service reform programme continues to pose a serious challenge to government, as the required capacity to implement, monitor and evaluate programmes is still lacking in line ministries. Management and functional reviews were undertaken for several Ministries, Departments and Agencies (MDAs), but the recommendations were not implemented. A Senior Executive Service Programme was also developed, but Government and development partners could not agree on an implementation strategy and therefore the funds required for implementation were not provided. On a more positive note, a 90-day review of the architecture of the Civil Service was conducted and preliminary efforts started to convert the Establishment Secretary Office into a Human Resource Management Office (HRMO).

Public financial management - Public financial management has improved significantly over the years as the Medium-Term Expenditure Framework (MTEF) budget process has been strengthened. All MDAs now prepare strategic plans that are aligned to the PRSP objectives. An Integrated Financial Management Information System (IFMIS) has been installed and implemented in key MDAs. Internal Audit Units have been established in 14 MDAs. In the area of procurement, the National Public Procurement Authority secretariat is now fully operational with an Independent Review Panel, and Procurement Units have been established in all procuring entities.

The Public Expenditure Tracking Survey and related public perception surveys are conducted regularly and plans of actions developed and recommendations implemented.

Decentralisation - In the area of decentralisation, implementation of the devolution plan is ongoing. 19 out of the 34 functions have been devolved to local councils and 14 out of the 19 elected councils have met the transparency and financial management accountability requirements. A Chiefdom Governance Act has been developed and approved by Parliament.

The Anti-Corruption Agenda - The fight against corruption also continues to be a key component in promoting transparency and accountability. Anti-corruption cases were fast-tracked through a fiat mechanism but the arrangement has been repealed. The National Anti Corruption Strategy (NACS) has been revised and is now being implemented.

Peace and Security - Consolidating peace is critical for Sierra Leone, and the Truth and Reconciliation Commission's recommendations have been gradually implemented along with the Government's White Paper on the recommendations, while a Human Rights Commission has been established. Peace education programmes were implemented by the National Commission for Democracy. The National Election Commission (NEC) was strengthened and as a result was able to conduct peaceful and credible general and parliamentary elections in 2007. To facilitate the

judicial reform process, a comprehensive and integrated Justice Sector Strategy was developed and implemented. This strategy promotes capacity building initiatives that ensure that justice is delivered to the less fortunate and the vulnerable. In promoting security, the Police and Military were restructured and retrained to improve their efficiency. Security intelligence was also strengthened through the Office of National Security (ONS) which is mandated to coordinate all security related issues.

1.1.2 PILLAR 2: PROMOTING PRO-POOR SUSTAINABLE GROWTH

Macroeconomic stability - With support from the development partners, Sierra Leone has made significant progress in the pursuit of macroeconomic stability in recent years. Following the successful implementation of the first Poverty Reduction and Growth Facility (PRGF I) arrangement (2001-2005), the Government entered into negotiations for a successor PRGF arrangement with the IMF. Based on the track record of economic performance, the Executive Board of the IMF approved the PRGF II in May 2006. With continued donor support, during the implementation of PRSP-I, Sierra Leone achieved a relatively stable macroeconomic environment with strong economic growth, moderate inflation, declining current and fiscal account balances, increased level of foreign reserves, a broadly stable exchange rate, positive real interest rates and a lower external debt burden. Sierra Leone reached the completion point under the Heavily Indebted Poor Countries (HIPC) initiative in December 2006, and qualified for debt relief under the Multilateral Debt Relief Initiative (MDRI).

Promoting food security and job creation - This is centred on increasing domestic food production, in particular the production of rice and other food crops like cassava and potato. Production of cash crops like coffee and cocoa, and of livestock (cattle, goats and sheep), increased in all cases, although in some instances not significantly. Similarly domestic fish production also increased during the period.

Investment in Supportive Infrastructure - Attempts to improve electricity supply were not successful as the Bumbuna Hydroelectric Project did not come online as expected, and arrangements to provide a short term electricity supply for Freetown were only implemented in late 2007. The road network was improved slightly with approximately 500 km of gravel roads rehabilitated and over 1,200km of trunk roads constructed and maintained. Access to ICT products improved significantly after the liberalisation of the telecommunications industry, which also led to the establishment of five mobile communications companies. The mobile network was extended to 80% of the country with investments estimated at over US\$125 million.

Private Sector Development (PSD) - Improving the climate for PSD is the cornerstone of growth and job creation. To facilitate PSD, a Diagnostic Trade Integrated Study (DTIS) was conducted and an action matrix developed to implement the recommendations. To simplify administrative procedures, and reduce the cost of doing business in Sierra Leone, legislation on business registration was enacted. Public-Private Partnership schemes were also promoted, and agro-businesses were supported through the establishment of skills and food-processing centres. Youth employment and empowerment was promoted through the establishment of agricultural farms for youth, Youth Enterprise Development Schemes, and employment in public works.

1.1.3 PILLAR 3: PROMOTING HUMAN DEVELOPMENT

Education and Training - Access to education increased over the period as the Net Enrolment Rate increased, although the ratio of girls to boys remained constant. Due to the focus on girls in education, the number of girls accessing secondary schools increased significantly. The pupil-teacher ratio target was not achieved largely due to the ceiling placed on recruitment of teachers.

Health and Nutrition Services - Similarly, access to health facilities increased, as a total of 867 public health units were made fully operational. Infant and child mortality ratios reduced slightly, but still remain amongst the worst in the world. Malaria treatment and prevention was intensified with the supply of over 300,000 treated bed-nets and the provision of affordable treatment drugs. The HIV/AIDS pandemic continued to be addressed through the continuous provision of condoms, establishment of Voluntary Counselling and Confidential Testing (VCCT) sites and provision of anti-retroviral drugs and other support to people living with HIV/AIDS. Access to safe drinking water and sanitation improved slightly at 49 % and 35 % respectively.

1.1.4 FINANCING PRSP-I

The cost of implementing PRSP-I was originally estimated at US\$1.62 billion while the total government funds available were estimated to be US\$683 million. Thus the additional amount required to fully implement the PRSP was estimated at US\$941 million. Development partners requested that the Government re-prioritise activities in the PRSP to reduce the funding requirement by US\$368 million, creating an actual funding gap of US\$573 million.

Table 1: Donor Disbursement for PRSP

Year	2005	2006	2007	Total
Amount (US\$ millions)	336.6	361.3	277.2	975.1

Source: Development Assistance Report; DACO

At the CG meeting held in London in November 2005, pledges made in support of PRSP-I amounted to US\$874 million. However, most of these pledges were reconfirmations of commitments already reflected in the government budget, with a real addition of only US\$246 million. In essence, out of the US\$1.62 billion required to fund the PRSP, commitments totalled US\$929 million creating a funding gap of US\$695 million. However, Table 1 shows that total donor disbursements for the period 2005-2007 amounted to US\$975 million, which exceeded the CG commitment by US\$101 million.

1.2 REMAINING CHALLENGES

The following challenges remain for Pillar 1:

- *Public service reforms in the Civil Service were not implemented* - the lack of capacity in all MDAs needs to be addressed in order to achieve the successful implementation of all development programmes.
- *Further improvement in public financial management is still required* - the preparatory process of the budget needs to be strengthened to ensure that it is presented to Parliament as per the provisions of the Government Budgeting and Accountability Act. Also IFMIS needs to be installed and operationalised in all MDAs.
- *Procurement rules need to be adhered to* - procurement awards are to be made public on a regular basis through publication in accordance with national procurement law.
- *Ensure adequate funding for the National Anti-Corruption Strategy (NACS)* - the NACS should be endorsed by Parliament and adequate funds provided to ensure its effective implementation. Implementation of the devolution plan needs to be intensified and the capacity of local councils should be developed so they can effectively coordinate and supervise programmes at the district level.

The following challenges remain for Pillar 2:

- *Significant challenges to maintaining macroeconomic stability* - challenges include weak revenue performance, unpredictability of budget support, external shocks and a high domestic debt burden.
- *There were no programmes developed or implemented to promote the tourism sector* - despite the sector showing tremendous potential to provide employment and enhance investments. This sector should be supported and through the PRSP.
- *Youth employment programmes* - these need to be clearly articulated, coordinated and integrated into a single strategic framework.
- *Efforts to promote private sector development need to be strengthened* - through the provision of the requisite infrastructure, particularly the energy supply, road network, and skills development. The cost of doing business in Sierra Leone still remains high relative to other countries.
- *Better policy framework for mining* - although diamond exports increased between 2005 and 2007, the mining sector needs to be guided by a better policy framework. This will ensure that activities in the sector will provide maximum possible benefits to the Government in terms of revenue generation, community development and environmental protection in the mining areas.

The following challenges remain for Pillar 3:

- *Environmental management* - Although the National Commission for Environment and Forestry was established, it has no legal basis as there was no enabling Act of Parliament to support it, and its impact has been limited due to a lack of basic logistics and funds to operate.
- *Access to safe drinking water and health facilities needs to be improved* within an integrated framework.

- *The quality of education needs attention* with the capacity of higher education institutions strengthened, international standard postgraduate programmes introduced, and education for those with special needs provided.
- *Affordable housing* for the poor, Children First policy and gender empowerment were highlighted in the PRSP-I, but no meaningful efforts were made to address these issues.

Overall, PRSP-I did not clearly prioritise an agenda for driving high sustainable growth, employment and poverty reduction. It also failed to adequately focus on achievement of meaningful human resource and institutional development which are the basic prerequisite for driving national development.

1.3 LESSONS LEARNED

There were a variety of lessons learned over the course of the implementation of PRSP-I. The issues and constraints are outlined below:

Targets too ambitious relative to available resources - PRSP targets were not revised after the re-prioritisation process and consequently, Government was monitoring progress on the implementation of programmes which were not funded. Targets should have been revised based on the available resources.

Weak intersectoral linkages - although the PRSP-I underscored the need for strong inter-sectoral linkages between the programmes identified, during implementation the sectors tended to focus primarily on activities that fell within their respective sectors. No strong collaboration or synergy was realised between the various units in the different sectors.

Implementation was not dictated by national priorities - there was a tendency for donor funding to be directed to programmes that reflected donor preferences rather than national priorities. For example, funds were quickly mobilised to support Civil Society Organisations (CSOs) and related activities but were not adequately provided to support the energy sector.

Need for a resource mobilisation strategy and an Aid Policy - mobilising resources was primarily undertaken at CG meetings and bilateral ad hoc meetings with partners. There was no clear strategy as to how and when resources would be mobilised to close the funding gap. There is a need to develop and adopt a Resource Mobilisation Strategy and an Aid Policy that will assist the Government to expand the number of development partners that are actively involved in Sierra Leone, but also to provide clear guidelines on all aid management issues.

Lack of required capacity - the effective implementation of PRSP-I depended largely on the capacity of the line Ministries to develop, implement and monitor programmes within their respective Ministries. Weak capacity in line Ministries affected the implementation of programmes. Additionally, CSOs and the Parliament are supposed to monitor progress and provide the checks and balances required for effective implementation of programmes. However, due to capacity constraints, Parliamentarians as well as CSOs were unable to provide effective monitoring of PRSP-I. Finally, the PRSP promotes the development of the private sector as a

prerequisite for growth. Diagnostic studies were carried out but there was insufficient know-how or capital to support significant levels of private sector activity.

Internalising PRSP-I - in most cases, MDAs and local councils did not implement the PRSP as it was largely viewed as separate from their routine work. This had a fundamental detrimental impact on PRSP-I implementation.

Lack of timely and reliable statistics - the lack of timely and reliable statistics made the determination of the baseline for monitoring difficult and as a result, targets set were unrealistic. It also made it difficult to adhere to the monitoring and reporting requirements of the PRSP.

1.4 THE PREPARATORY PROCESS FOR PRSP-II

The second Poverty Reduction Strategy Paper was prepared based on four elements: lessons learnt from implementing PRSP-I; the President's Agenda for Change; nationwide consultations and priority-setting exercise; and the growth diagnostic analysis for Sierra Leone. The process was started with two independent firms contracted to validate the Progress Report on the implementation of the first PRSP, and to set priorities for the development of the Second PRSP. The sample size used for these exercises covered all 149 chiefdoms and the Western Area. The reports from these two consulting firms were presented in January 2008. In February 2008, the President articulated the Agenda for Change which clearly identified the priorities of the Government for the next 3-5 years.

The institutional mechanism for developing the Second PRSP included central and local government, civil society groups, development partners, parliamentarians and national consultants. Ownership and leadership of the process was provided by the Government. In particular, a Core Committee was appointed by the President comprising the Office of the President (Chair); the Bank of Sierra Leone, the Ministry of Finance and Economic Development, Statistics Sierra Leone, and the Development Assistance Co-ordination Office (DACO) serving as the technical secretariat. The Core Committee met regularly throughout the development of the document.

The Core Committee developed an outline of the document in March and circulated this outline to all key stakeholders for consultation. The Core Committee met with seven umbrella organisations of civil society groups to discuss the outline and the process. At this meeting the CSO umbrella organisations reiterated their commitment to working closely with Government in the preparation of this document.

Figure 1: Results of the Nationwide Consultations

Transportation

Transportation was highlighted as the major challenge to the development of agriculture. Therefore, Government was urged to improve the road network by improving and maintaining all weather trunk roads as well as feeder roads. It was emphasized that the roads leading to farms and mining areas should be prioritised by Government as this will enhance overall economic activities in the rural areas.

Education

In the areas of education, the people acknowledge the existence of schools even in the remote areas but expressed the need to improve the conditions of services for teachers to ensure that these schools are properly managed. Government was urged to continue to pay attention to the girl-child. The issue of teenage pregnancy was highlighted as a serious and growing problem in the rural communities. The people noted that the quality of education is dropping and this government should pay more attention to the training of teachers and also improvements must be made in teacher training colleges.

Electricity

The need for a fair and equitable distribution of electricity was underscored. The Government's effort to improve electricity supply to Freetown was lauded. However, Government is urged to do the same for the rural areas. Thermal generation of power was considered expensive and therefore Government was urged to explore alternative sources of generating power, for example solar and bio-diesel. Government was also urged to explore the mini-hydro potential in the various districts. To complement Bumbuna Hydroelectric Project, it was underscored that Bikongo in Kono district, Masumuneh in Binkolo and Bankasoka in Port Loko be explored.

Agriculture

In all regions, agriculture was identified as the number one priority of the people. Other than the road network, challenges facing the sector are access to credit, access to market, post harvest storage facilities, equipment and seedlings. The Government was urged to provide the above facilities and equipment through a fair and transparent process. It was suggested that agricultural banks should be established, state farms developed in collaboration with the local community and a national seed bank established. There is need to institute by-laws that will compel the young to engage in agriculture.

Health

The need to address the proliferation of unqualified doctors was underscored as this contributed to the mortality rate especially for pregnant women. The issue of condition of service for health workers, increase sensitisation on HIV/AIDS and the stigmatisation of infected persons were also highlighted. Clinics and other health care providers who are not recognised by the Medical and Dental Association should cease to operate. Government was urged to increase investment for safe drinking water.

Furthermore, as the implementation of the Second PRSP is largely the responsibility of the MDAs, all MDAs were given the opportunity to make input on the outline and timeline for the preparation

of the document. The MDAs then developed their respective sections for input into the PRSP. To ensure inclusiveness in the preparation of PRSP-II, the outline was also discussed with development partners, CSOs and parliamentarians. The comments and suggestions from these various discussions were incorporated into the outline.

In particular, for the first time in Sierra Leone, Parliament was consulted even before the drafting of a national document started. Previously the practice has been to send the final product to parliament for ratification. However, to ensure the active involvement of parliamentarians in the process, parliament was consulted on the outline and process of developing the second PRSP. A half-day workshop was held and suggestions were imputed before developing the first draft of the document.

Drafting of the document started with a two-day consultative workshop where each MDA was requested to make a presentation on the priorities, challenges and recommendations on how to address existing constraints within the PRSP-II period. After the consultative workshop, the Core Committee developed a PRSP-II draft, and this document was subsequently circulated to development partners for comments and inputs.

Validation and Consultation - At the regional level, each meeting was attended by traditional leaders and elders, religious leaders, women groups, local councils, CSOs, civil servants, farmers association and youth groups. This gave all Sierra Leoneans the opportunity to contribute to the development of the Second PRSP. After a series of consultations with MDAs and development partners, PRSP-II was then validated at a national stakeholder meeting. The document was then sent to Parliament and Cabinet for ratification and endorsement.

1.5 STRUCTURE OF PRSP-II

The document is organised into four parts. Part One (Chapters 2-3) provides an overview of the growth diagnostics and poverty profile which has been used to develop the poverty reduction strategy and identifying key themes. Part Two (Chapters 4-7) focuses on the four strategic priorities identified for PRSP-II, namely energy, transport, agriculture and human development. Part Three (Chapters 8-12) lays out strategies in key sectors to enable and drive growth, which includes good governance, macroeconomic stability, private sector development, financial sector reform and natural resource management. Part Four (Chapters 13-15) completes the PRSP by presenting the financial requirements, implementation modalities, and the monitoring and evaluation architecture.

2 POVERTY AND EMPLOYMENT TRENDS 2003-2007

The poverty profile established for the first Poverty Reduction Strategy was based on the Sierra Leone Integrated Household Survey (SLIHS) conducted in 2003/2004. Poverty was defined with respect to two poverty lines: food/extreme poverty, and full poverty. The food/extreme poverty line was translated into an expenditure of Le.1,033 per day and the full poverty line to Le.2,111 per day. Based on these thresholds, the estimate showed that 70% of the population were living below the full poverty line in Sierra Leone.

Further analysis of the levels of consumption, the estimates of poverty lines and poverty measures suggest that 66.4% of the population could be defined as 'poor' (47% in urban areas versus 79% in rural areas). Rural areas accounted for the largest proportion of the poor (73%, versus 61% of the population). The average person's total consumption falls short of the minimum consumption level necessary in order not to be poor, by 27.5% of the poverty line. Given a population of 4.96 million, this implies that the resources necessary to eradicate poverty under a perfectly targeted transfer would amount to Le1.1 trillion (about US\$ 361 million) per year¹. Of course, since a perfect transfer is not feasible, the resources required to eradicate poverty are significantly higher than that.

For all poverty measures, the Eastern Region records the highest poverty, followed by the Northern Region. The Western Region has the lowest poverty measures. The five poorest districts according to poverty incidence are Kailahun, Kenema, Bonthe, Tonkolili and Port Loko. Though Bombali ranks sixth in poverty incidence, it ranks second in terms of the poverty gap, followed by Kenema and Bonthe.

The same holds for the severity of poverty, with Kailahun, Bombali, Kenema and Bonthe recording the highest squared poverty gaps². It is worth noting that rural areas in the Western Region tended to have high levels of poverty in comparison to Freetown. This may be because as in other poor countries, provincial people are eager to go to the capital city area with the hope of enhancing their livelihoods. Yet a majority of migrants are unskilled, and find themselves in the periphery of the capital city of Freetown, often living in slums and in some instances in rural areas. In some cases their socio-economic condition may then be worse than that of those who remained in rural areas. In the case of Sierra Leone, this situation may have been aggravated by the civil war, as the Western area including Freetown witnessed an unprecedented influx of upcountry dwellers during the war. Notwithstanding ongoing efforts to resettle internally displaced persons, many are reluctant to go back to their original homes. Yet, for a good proportion of them, it may well be that continuing to dwell in Western slums/periphery is no better than living in the countryside.

2.1 TRENDS IN POVERTY BETWEEN 2003 AND 2007

¹ Assumes an exchange rate of Le 3000 per US\$.

² The Squared Poverty Gap Index measures the severity of poverty for each area. By squaring the poverty gap for each household/individual, this measure gives greater weight to those that fall far below the poverty line than those that are closer to it.

As part of the analysis for the second PRSP, changes in poverty since 2003 were assessed. While there is no new household survey with consumption data comparable to the 2003 SLIHS, the 2007 Core Welfare Indicator Questionnaire (CWIQ) survey provides information on a range of household characteristics including household assets which can be compared to the assets owned by households in 2003. It is therefore feasible to conduct an analysis of the asset-based poverty trend among households. In addition, by making certain assumptions regarding the relationship between per capita GDP and the likely level of household consumption per equivalent adult, it is possible to determine poverty trends in per capita GDP.

2.1.1 ASSET-BASED POVERTY

Trends in asset-based poverty suggest that there may have been a significant reduction in poverty between 2003 and 2007. Research by Filmer and Pritchett (1998) and Sahn et al. (2000) has shown that asset indices can be good proxies for household consumption, so that analyzing trends in asset based poverty can provide insights on how standards of living change over time. The asset index takes into account ownership of household equipments (phone, TV, radio, etc), the availability and access to utility services (water and electricity for example), access to sanitation (toilets) as well as characteristics of the building materials of the household dwelling (type of roof, of floor, etc).

Table 2: Percentage of Households Owning Certain Assets in 2007

	Home	Land	Car/Truck	Fan	Refrigerator	Cell phone	Radio
Sector of Residence							
Rural	80.5	84.9	0.4	0.5	0.4	5.1	45.5
Rural Poor	90.7	86.6	0.7	0.9	0.8	9.4	56.3
Urban	36.6	17.8	5.8	28.8	19.7	63.6	83.7
Urban Poor	67.1	35.5	2.2	18.9	12.4	56.3	79.4
Socio-economic Group of Head of Household							
Public	32.6	16.4	8.6	39.7	27.8	76.7	92.6
Private Formal	31.6	5.7	7.7	45.7	26.3	81.6	88.9
Private Informal	74.9	77.7	0.5	2.3	1.7	10.4	49.2
Self-agriculture	80.8	93.0	0.1	0.3	0.3	3.0	44.6
Self-other	45.1	26.1	4.1	18.9	13.3	48.4	78.2
Unemployed	68.4	53.4	2.2	8.2	5.6	24.7	53.2
Gender of the Head of Household							
Male	64.9	61.7	2.6	11.0	7.3	26.9	63.4
Female	63.2	56.6	1.6	10.2	7.6	24.7	46.6
Total	64.5	60.5	2.3	10.8	7.4	26.4	59.4

Source: 2007 CWIQ Survey

The estimates in Table 3 suggest that the national asset-based headcount of poverty decreased from 67.5 % in 2003 to 61.6 % in 2007. This decrease of about 6 percentage points shows a significant reduction in poverty. The decrease in asset-based poverty seems to have been much larger in urban

than in rural areas, which is expected, given the common perception that post-conflict growth since 2003 has benefited urban areas the most.

2.1.2 GDP PER CAPITA GROWTH

The impact of GDP per capita growth on poverty suggests an even larger decrease in poverty between 2003 and 2007, but this is likely to be overestimated as it is based on the assumption that GDP per capita growth is perfectly correlated with average growth in consumption per adult at the household level. It is possible to simulate poverty levels in 2007 by scaling up the adult equivalent consumption aggregate for all households in the 2003 survey by a factor equal to the ratio of per capita GDP in 2007 to per capita GDP in 2003. As shown in Table 3, the simulation suggests that growth could have led to a reduction in consumption poverty of up to 9.8 percentage points. This is a very large reduction in only four years, but it comes from the fact that GDP growth was exceptional. However, given the fact that part of GDP growth is not likely to have trickled down rapidly to large segments of the population (for example, the resumption of mining activities is not likely to quickly result in improvements in standards of living for most of the population), we can assume that the decrease in poverty simulated using GDP growth is overestimated.

Table 3: Likely Trend in Headcount Index of Poverty between 2003 and 2007

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

Source: Authors using 2003 SLIHS and 2007 CWIQ.

In addition, the suggested reduction of 6 percentage points in asset-based poverty is large for a short period of time, but even if it has indeed taken place, much more progress is still needed given that the share of the population in poverty remains very high. Also, it should be noted that measurement errors are possible (for example GDP data is relatively weak in Sierra Leone, with GDP data by sector showing trends that do not appear to match events on the ground for the war years). Thirdly, the estimated reduction in poverty is not generally evident at the street level, as there is a perception that while living standards may have indeed been improving, this will probably remain a very slow process. It will not be possible to confirm if poverty has been significantly reduced until the new household survey is completed in 2009.

2.1.3 EMPLOYMENT TRENDS BETWEEN 2003 AND 2007

Employment trends also suggest likely improvements in standards of living between 2003 and 2007 as labour force participation rates have increased much faster than unemployment rates. Limited comparable data are available between the 2003 SLIHS and the 2007 CWIQ, and a thorough analysis of trends in employment would need to be much more detailed than what is

presented here. Nevertheless there are some clear and useful trends in basic employment variables worth highlighting.

As shown in Table 4, labour force participation rates have increased substantially between 2003 and 2007 (by about 7 percentage points). The increase has been largest among the poorest quintiles (in the fifth quintile, the much lower labour force participation rate is due in part to the statistics being calculated to include all individuals aged 15 to 64, with many of the younger group still enrolled in school or at the university among better off households). There has also been an increase in unemployment between 2003 and 2007, but this increase is much lower than the increase in labour force participation. Therefore, presumably, households have been able to benefit from higher incomes as more household members were willing and able to find work in 2007 than was the case in 2003. Note that a separate analysis on youth employment based in large part on the 2003 SLHIS data and a Sierra Leone Employers' Survey for 2006 are available in a separate report (World Bank, 2007).

Table 4: Labour Force Participation Rate (15-64) by Gender, Area and Quintile, 2003 and 2007

	Residence Area		Quintile					All
	Urban	Rural	Q1	Q2	Q3	Q4	Q5	
<i>Labour force participation rate (%), 2003</i>								
15-24	24.6	50.3	50.9	50.0	42.0	31.9	19.2	37.4
25-64	73.4	83.6	81.3	82.8	83.4	80.1	70.6	79.5
Total	52.6	72.6	71.1	70.9	68.7	61.4	49.2	63.9
<i>Labour force participation rate (%), 2007</i>								
15-24	26.5	63.8	69.2	63.9	58.6	37.8	21.6	46.3
25-64	79.9	90.6	91.5	90.6	87.8	84.1	79.8	86.5
Total	56.3	81.0	83.7	81.2	76.9	64.4	54.0	70.7
<i>Unemployment rate (%), 2003</i>								
15-24	18.7	1.5	4.5	4.8	2.5	11.8	17.9	7.1
25-64	6.0	0.6	1.9	0.9	1.4	2.6	6.6	2.6
Total	8.5	0.8	2.5	1.9	1.6	4.5	8.5	3.6
<i>Unemployment rate (%), 2007</i>								
15-24	16.7	6.1	8.7	2.9	7.3	11.9	19.5	8.9
25-64	9.7	3.6	3.5	2.5	5.1	6.6	10.8	5.7
Total	11.1	4.3	5.0	2.6	5.7	7.9	12.4	6.5

Source: Authors using 2003 SLHIS and 2007 CWIQ. Quintiles by asset level in 2007 and consumption in 2003.

Data on shifts in employment patterns also point to an improvement in standards of living. Table 5 shows employment shares by sector as well as by type of employer. According to the data in Table 5, there has apparently been a substantial shift away from agriculture to better paying jobs in industry and services, and to some extent in community services and government. The shifts seem to be large for four years, but they may be related to the resumption of industrial and service-oriented activities after the conflict.

Table 6 shows that the share of jobs provided by family farms and businesses has decreased. Overall, these shifts are consistent with the improvement in standards of living expected from growth as well as with the gains in terms of assets owned by households between the two survey years.

Table 5: Share of Employment by Sector and Region, 2003 and 2007 (%)

	Nation		South		East		North		West	
	2003	2007	2003	2007	2003	2007	2003	2007	2003	2007
Crop farming	71.8	61.3	78.9	68.1	84.7	71.7	84.2	75.7	2.3	1.7
Livestock/poultry	0.3	0.4		0.1	0.1	0.8	0.6	0.1	-	0.1
Forestry/logging	0.1	0.4	0.1	0.3	0.2	0.1	0.0	0.2	0.0	1.3
Fishing	0.2	1.7	0.1	0.4	-	2.0	0.3	1.5	0.4	3.4
Agriculture total	72.3	63.8	79.0	69.0	85.0	74.6	85.1	77.6	2.7	6.5
Mining/quarrying	1.1	2.6	1.0	7.1	3.9	0.4	0.0	2.0	0.1	0.9
Manufacturing/processing	1.8	1.9	1.3	1.0	1.4	1.0	0.6	1.6	7.1	6.0
Electricity/gas/water	0.1	0.8	0.0	0.6	-	0.5	-	0.2	0.6	2.8
Construction	1.2	1.9	0.7	1.6	0.4	1.0	0.3	1.2	5.8	6.0
Industry total	4.2	7.1	3.0	10.3	5.7	2.9	1.0	5.0	13.6	15.6
Wholesale/retail/hotel/restaurant	14.4	19.8	12.9	14.8	5.6	16.8	10.6	12.0	42.5	48.0
Transport/storage/com.	0.6	1.6	0.5	0.7	0.4	0.5	0.4	0.9	2.1	6.7
Banking/finance	0.5	0.7	0.1	0.1	-	0.1	-	0.0	3.7	4.4
Services total	15.6	22.1	13.5	15.6	6.0	17.4	11.0	12.9	48.3	59.2
Community/government (*)	4.1	5.0	1.8	4.1	1.8	3.0	1.1	3.1	20.3	14.8
Others	3.8	1.9	2.8	1.1	1.5	2.0	1.8	1.4	15.1	4.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note 1: Quintiles by asset level in 2007 and consumption in 2003.

Note 2: (*) In 2003 the category is government services; in 2007 it is community services.

Source: Authors using 2003 SLIHS and 2007 CWIQ

Table 6: Employment Shares by Type of Employer, 2003 and 2007 (%)

	Nation		Quintile 1		Quintile 2		Quintile 3		Quintile 4		Quintile 5	
	2003	2007	2003	2007	2003	2007	2003	2007	2003	2007	2003	2007
Government	4.2	4.7	1.0	0.8	1.8	1.1	2.5	1.8	7.5	5.4	12.0	18.1
International NGOs, parastatal	1.7	1.6	0.2	0.0	0.8	0.1	0.8	0.3	1.7	1.2	6.7	7.9
Private enterprises	2.7	6.1	0.3	1.2	1.3	1.7	2.5	3.8	4.0	8.6	7.4	19.4
Family farm/business	91.4	82.6	98.4	96.2	95.9	94.7	94.0	89.1	86.6	73.6	73.6	47.9
Others	0.1	5.1	0.1	1.8	0.2	2.3	0.2	5.0	0.1	11.3	0.2	6.8
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Quintiles by asset level in 2007 and consumption in 2003. Quintile 1 poorest, quintile 5 best-off.

Source: Authors using 2003 SLIHS and 2007 CWIQ

2.2 TRENDS IN HUMAN DEVELOPMENT INDICATORS

Data on trends in human development available from the Multiple Indicator Cluster Survey (MICS) conducted in 2000 and 2005 suggested limited improvements over the period, which still includes several years of the conflict. As Table 7 shows, the under-five mortality rate is estimated at 286 deaths per 1,000 live births, which is far above the average for West and Central Africa.

The methodology used to calculate this indicator means that the estimates relate to 1997 for the 2000 MICS2, and to 2002 for the 2005 MICS3 estimate. 2002 was the year when the conflict ended. The infant mortality rate, which is also very high, did not decrease between the 2000 and 2005 surveys. Malnutrition affects up to one third of children, and shows an increase over time, but again, since this indicator is calculated for children up to five years of age, it does not include much of the potential impact of the post-conflict recovery.

There are clear signs of progress in terms of immunization rates. While vaccination rates are now better in Sierra Leone than in West and Central Africa, they are still short of the UNICEF goal of 90%, or the Millennium Development Goal (MDG) for measles vaccination of 100%. Access to improved water sources does not appear to have increased much, but school enrolment has dramatically increased, and the gap between vulnerable children such as orphans and other children has been reduced. Progress has also been achieved in terms of knowledge about HIV/AIDS.

On the other hand, a comparison of selected indicators from the 2003 SLIHS and the 2007 CWIQ suggests progress for both school enrolment and health status. There are large differences between net and gross enrolment rates due to the fact that many older children have returned to school since the end of the conflict. This also explains why at the primary level, between 2003 and 2007, net enrolment rates have increased while gross rates have not. But overall, both at the primary and secondary levels, there have been substantial gains in enrolment between 2003 and 2007.

Also, there seems to have been an important reduction in the share of individuals suffering from an illness or an injury between 2003 and 2007, as well as an increase in the proportion of injured or

sick individuals seeking care. While part of the gain may represent measurement error, the data still points to an improvement in the health status of the population, or at least in the subjective perceptions of health status, and the demand for care (or the ability to seek care).

Table 7: Trends in Human Development Indicators (2000 and 2005 MICS surveys)

Key indicators	Sierra Leone (estimates)		West & Central Africa
	2000 (MICS2)	2005 (MICS3)	2004
Infant mortality rate (per 1000)	170	170	109
Under-five mortality rate (per 1000)	286	286	191
Underweight prevalence (2 SD ≤ / 3 SD ≤)	27 / 9	31 / 9	28 / 9
Stunting prevalence (2 SD ≤ / 3 SD ≤)	34 / 16	40 / 20	35 / N/A
Wasting prevalence (2 SD ≤ / 3 SD ≤)	10 / 2	9 / 2	10 / N/A
Exclusive breastfeeding rate (0-5 months)	2	8	20
Continued breastfeeding rate (12-15 months / 20-23 months)	85 / 51	88 / 57	N/A / 48
Timely complementary feeding rate (6-9 months)	52	52	65
Tuberculosis immunization coverage	73	86	67
Polio immunization coverage	61	64	57
DPT immunization coverage	46	63	52
Measles immunization coverage	62	76	55
Fully immunized children	39	54	
Yellow fever		75	
Under-fives sleeping under insecticide-treated nets	2	5	2
Under-fives sleeping under mosquito nets	15	20	15
Anti-malarial treatment (under-fives)			
Within 24 hours of onset of symptoms		45	
Any time	61	52	43
Use of improved drinking water sources	54	47	
Skilled attendant at delivery	42	43	45
Institutional deliveries		19	
Net primary school attendance rate (%)	42	69	55
Gender parity index: ratio of girls to boys (primary; secondary)		0.99; 0.78	0.86; 0.80
Comprehensive knowledge about HIV prevention among young people		18	18
Knowledge of 3 ways of prevention	21	35	
Rejection of 3 misconceptions	19	24	
		20	
School attendance of orphans versus non-orphans	0.71	0.82	0.83

Note that the method used to produce estimates of UFMR and IMR actually produces a retrospective estimate that pertains to 2002 (for MICS3) and 1997 (for MICS2). N/A – Not available.

Source: MICS data

2.2.1 URBAN POVERTY

Urban poverty is a major concern in Sierra Leone. It is multi-faceted, overlapping, infectious, and compounded by high levels of immigration in the urban centres. Its markers are intermittent power outages; erratic water supply; poor sanitation; endless traffic jams; garbage left uncollected for

days; and environmental degradation. The latter forms part of the everyday landscape and is visible on the coast and the hilltops overlooking the capital city Freetown. The overcrowded city, the dilapidated structures, the new settlement patterns, the ghettoization of the city, and the endless migration to Freetown puts the city above the one million mark recorded in the 2004 census. Contemporary Freetown is a city bursting at the seams with close to two million people crowded into a land space that has not seen any new network of roads for more than half a century.

The lack of affordable housing and intense overcrowding has opened up other avenues for illegal structures, dubbed informal settlements. More people entered Freetown during the late 1980s, especially during the war years in the 1990s and 2000s, than in any other period in its two hundred year history. Unable to find a place they could call their own in an already overcrowded city, Freetown's poor began to illegally acquire hill tops in the east and central parts of the city.

Informal settlements on state and private property have emerged on the city's hilltops. Corrugated iron sheets—*pan bohdi*—held together by wooden pillars serve the housing needs of Freetown's teeming population³. These dwellings are extremely hot in the dry season when temperatures are high, and very uncomfortable in the rainy season when it is wet and cold. Some inhabitants in these new settlements access power supply through illegal channels or the purchase of the ubiquitous Tiger generator, but in most cases these dwellings go without power or clean water.

The struggle over space is so intense that Freetown's poor have encroached on land reserved for the dead: cemeteries! Whole new mini-cities have sprung up within the city of Freetown. The Central Business District is ringed with shanties: from the much visible Kroo Bay to the less conspicuous "Afghanistan". These cities of the urban poor are expanding the frontiers of the ghetto from the east end to the west and central areas. Every space in the city is under siege from Freetown's urban poor: from open spaces in cemeteries to dangerously inaccessible areas under the city's numerous bridges, and in valleys and surrounding hill tops.

This settlement pattern in Freetown is being reproduced in the other major urban centres in the country: Bo in the South, Makeni in the North, Kenema and Koidu in the East. Peri-urban settlements in these areas mirror the informal settlements in Freetown. Peopled predominantly by young migrants from elsewhere, they bunch together in spaces away from the prying eyes of officialdom. Other congested neighbourhoods in these urban centres have been transformed to youth enclaves peopled by new 'city-zens'. It is in these sites that veritable mini-cities are created with criminals, and pose security threats. Also, ever present are unregulated video leisure centres and the popular if unhygienic *ataya bases* to serve the needs of its ghetto population⁴.

Uncontrolled urbanization without industrialization reproduces mass poverty on a large scale. Young people bunched in the city are cramped into the informal sector. This constitutes a net loss to agriculture. The major challenge is how to stem the tide of increasing migration to the major urban centres. This aspect of social engineering will involve rethinking the urban sans industrialization—housing, sanitation, access to land—youth livelihoods and social citizenship.

Therefore, there is need for an integrated urban policy that provides housing, livelihoods, social amenities and above all, access to the wherewithal for an active citizenry. It will require waste management as well as the clearing of slums and relocation of slum dwellers.

³ A *pan bohdi* dwelling consists of corrugated iron sheets held together by narrow wooden poles. These are the most numerous dwellings among Freetown's urban poor. The materials are cheap and affordable but they are extremely uncomfortable during high temperatures and often not well waterproofed.

⁴ *Ataya bases* are rickety structures where Chinese green tea is served.

2.3 CONCLUSION

As this chapter has shown, poverty is widespread in Sierra Leone and as a result, poverty reduction remains the key objective of Government, and as such, is also the overriding objective of this second PRSP. It is clear from the analysis above that several issues need to be addressed in order to reduce the levels of both income and non-income poverty. These include the following:

- Poverty is more of a rural phenomenon than an urban one, although poverty remains high in urban as well as in rural regions due to the large number of people living in urban slums. Focusing on providing resources to rural areas and supporting the decentralisation process through funding and capacity building is key to the poverty reduction process in rural areas.
- There are large variations in income poverty and non-income poverty between the different regions. Access to medical services and educational facilities vary, while significant differences in basic infrastructure such as roads exist between the regions. On average, the Western region, which contains the capital city, has better indicators of well-being than all other areas, and the Northern region is the worst off. Addressing the issue of regional disparities will assist in providing a more equitable distribution of resources.
- Employment is a key factor in poverty reduction and expanding employment opportunities is central in the second PRSP given the large proportion of the population that is either underemployed or unemployed. Youth unemployment remains a difficult issue, particularly in urban areas; this needs to be addressed with the provision of increased educational and employment opportunities in order to raise the level of economic development and reduce the possibility of social unrest.
- Educational attainment is highly correlated with income. Therefore, increasing school attendance is likely to contribute towards poverty reduction. Significant improvements have been made in school enrolment particularly at primary level, but secondary level attendance is still relatively low, especially for girls. This suggests a need to establish measures to encourage girls to continue their education and prevent students from dropping out at secondary level.
- Attention needs to be paid to the gender dimensions of poverty. Although some indicators discussed showed parity between men and women, in some crucial areas such as access to formal employment, educational attainment and literacy, there were significantly lower levels for women than men. This shows the importance of ensuring that issues of gender equity are mainstreamed throughout the implementation of the second PRSP.

3 SOURCES OF AND CONSTRAINTS ON GROWTH

3.1 GROWTH AND POVERTY NEXUS

No economy has reduced poverty for any length of time without sustained growth. Economic growth is the single most powerful way of pulling people out of poverty. It creates the resources to fund social goods such as health and education, but more importantly and more directly, it creates demand for labour, the main – often the sole - asset of the poor.

Growth creates jobs. Despite initial concerns to the contrary, strong growth in the global economy over the past fifteen years has created over 400 million jobs in developing countries and raised the real incomes of the poorest⁵. Notwithstanding the recent global downturn, positive growth and employment trends are set to continue. Growth is now possible in ways it was not before. The world economy is now more open and integrated. It offers developing countries deep elastic markets, with effectively unlimited potential for exports. It allows ideas, technology, people and finance to move between countries as never before, to find the locations where they can combine in new ways and be most productive.

Sierra Leone has a great deal of catching up to do in terms of growth. In 2006, Sierra Leone ranked 177 out of 177 in the UN Human Development Index. It is one of nine countries in Africa whose income per capita has actually fallen compared to 1960s levels⁶. Sierra Leone has great untapped potential to participate in the world economy and to share in that growth: it has unexploited fertile lands on which to grow and harvest food and abundant seas; it has mineral resources that the world wants; and it has a coast and deep rivers with which to connect people and their produce to the outside world.

Post-war growth performance to date has indeed been robust – averaging 7.5% per year over the last 5 years. If this rate is sustained, the economy will double in size every 10 years. Even with the population growing at 2.8% a year, this would mean that by 2018 GDP per capita would rise to \$450: still on low-income country status, but an improvement in per capita income of 80%. However, if Sierra Leone were to be more ambitious and aimed to become a middle-income country in ten years, it would have to attain a per capita income of \$900 - something that could only be achieved with sustained growth of 15% a year.

However, the growth rate is *declining*: after a very strong post-war rebound and settled at around 7.5% since 2003. It is projected to continue a downward path from 7% in 2007 to 6.3% in 2008 and 6.5% in 2009. This is despite a steady increase in recorded investment of 8% of GDP in 2000 to an estimated 18% in 2007. The key concern is that investment in Sierra Leone is not generating the growth that it should.

The consequences of this failure to turn investment into growth are clear:

Job creation is not fast enough - one in four young men in Sierra Leone is jobless—neither working nor in school. By ages 9-14, one out of ten young men is either unemployed or inactive in the labour market. By age 20-24, three out of ten young men are not working or in school. Of

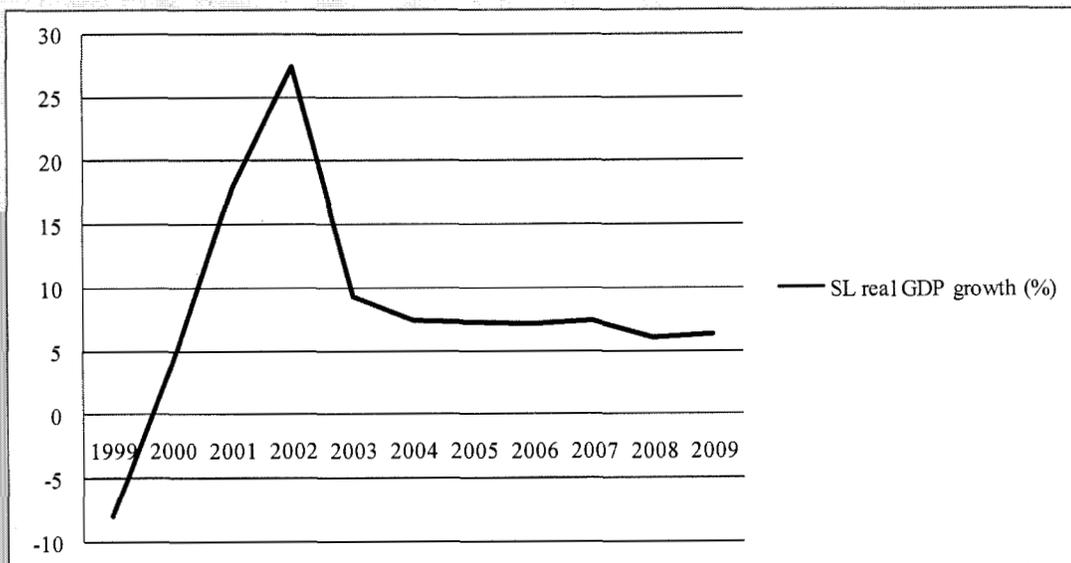
⁵ World Bank

⁶ Benno Ndulu et al, "Challenges of African Growth", World Bank, 2007

these, a high number are “discouraged workers”, people who would like to work but are not looking anymore because they think there are no jobs available. As in other sub-Saharan African countries, many people are too poor to be unemployed and must take up work regardless of its quality or level of remuneration. Formal sector employment is small in Sierra Leone at less than 10 % of the overall population. Levels of unpaid labour are very high in Sierra Leone with more than 50 % of urban youth and 70 % of rural youth in unpaid work⁷.

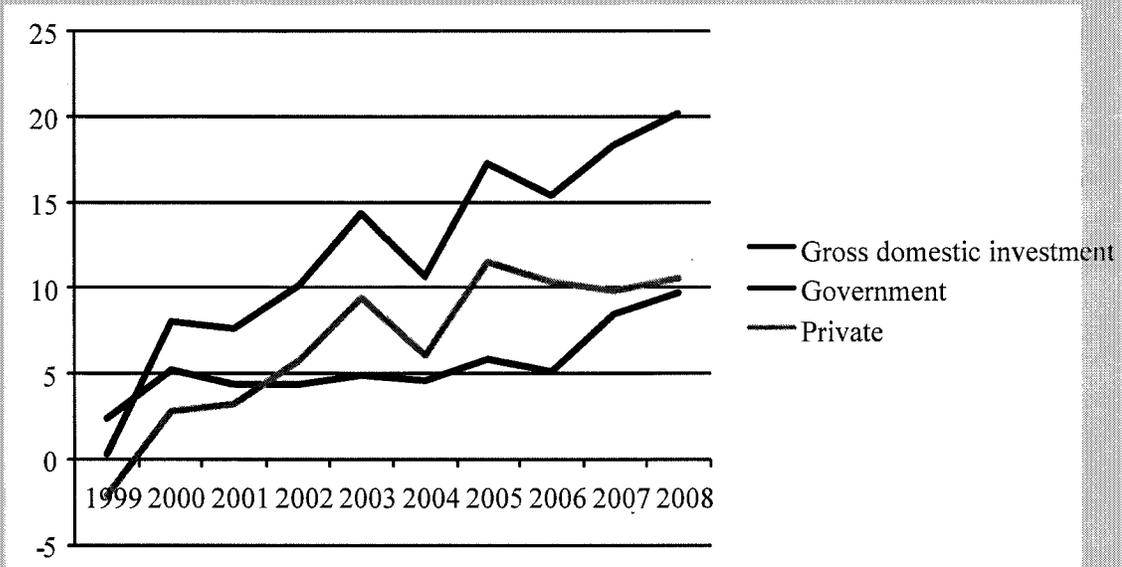
Domestic revenues available to Government to provide services are not high enough - Government is projected to have raised 14% of GDP in taxes in 2007 – equivalent to only \$40 per capita per year. Even if achieved, this is inadequate to cover necessary social services, let alone make up a backlog of infrastructure spending. For example, the World Health Organisation recommends low income country governments spend a minimum of \$34 per head on health services alone.

Figure 2: Sierra Leone GDP Growth



⁷ Improving Opportunities for Sustainable Youth Employment in Sierra Leone, World Bank, September 30th, 2007

Figure 3: Investment in Sierra Leone (% of GDP)



3.2 A STRATEGY FOR A STEP-CHANGE IN GROWTH

The total level of investment in Sierra Leone must be increased - With 20% of GDP dedicated to investment, Sierra Leone is still below the average for Sub-Saharan Africa (22%) and below the 25%+ achieved by those rapidly developing countries that have recently succeeded in sustaining growth⁸.

Government investment must also rise - Government investment currently accounts for 5% of GDP. This needs to rise to at least 7%⁹ on infrastructure alone, if Sierra Leone is to match other fast growing economies. This does not take into account the backlog of investment to date.

Employment needs to rise - Employment is both a means to and an end for economic growth. With the right policies and institutions, having more people in work raises total output. For developing countries such as Sierra Leone, with rapidly growing populations, there is a potential “population dividend” to be won in terms of a lower dependency ratio¹⁰ and accelerated growth if the barriers to getting young and growing populations into productive work can be removed.

Private sector investment needs to increase and diversify - From a situation of *disinvestment* at the end of the war, private sector investment has risen rapidly, reaching over 10% of GDP. However, much of this has been concentrated in a few sectors, such as minerals; this concentration has limited its direct impact on growth or employment. Private sector investment needs to diversify into a broader range of sectors, where the majority of people work. This will only happen if the returns to investment in these sectors improve.

⁸ Growth Commission Report, May 2008.

⁹ Growth Commission report, May 2008. p35

¹⁰ The size of the working population relative to total population

The productivity of investment must be improved –Improved productivity is necessary to ensure an increase in growth and jobs *per \$ of investment*. Unravelling exactly why Sierra Leone’s capital-output ratio is declining is a challenging exercise, but it is clear that it is related to conditions in the sectors in which investment is currently concentrated, and the determinants of the total social – i.e. private *and* public – returns to that investment.

Government resources and capacity are severely limited - An effective growth strategy must therefore be strictly prioritised and focused on those few key actions – “enablers” – which require government (rather than private) action, and will have greatest impact on the largest part of the economy.

Taking all these considerations into account and based on further examination of the evidence, we have designed a growth strategy for Sierra Leone which targets the following four areas:

- Closing the infrastructure gap;
- Enabling private sector development and ensuring returns to productive sectors;
- Managing natural resource wealth;
- Sustaining growth through stability and social service delivery.

Government has identified these particular four areas because the evidence suggests that they are the most important for achieving high sustainable economic growth in the short to medium term and are likely to have the most immediate and widest impact on poverty reduction across the country. They are not intended to pick “winning” sectors or to purposefully push growth into a chosen direction. Instead, they are intended to help natural winners to emerge by addressing the sharpest constraints they are currently up against. If, as we expect, this strategy is successful and strong growth sectors emerge, it is likely that Government will be required to assist the development of specific markets and institutions necessary for them to sustain their momentum. Currently, re-establishing the normal practices and capacities of government, concentrating on opening up, levelling and securing the playing field for all, is the best strategy.

Concentrating on these most immediate constraints to growth does not imply that other activities and sectors crucial to growth in the longer term should be sidelined. Rather, we aim to prioritise, highlight and select key actions amongst the raft of short-term growth measures that are possible. Trade-offs between these actions and those in other sectors are not always necessary, but where choices do have to be made, they will be done by balancing development targets with fiscal constraints in the context of the MTEF, agreed with the International Monetary Fund.

PART TWO: STRATEGIC PRIORITIES

Reliable power supply and good road networks are an economy's backbone and therefore the most binding constraint on growth in the short term. No country has sustained rapid growth without keeping up impressive rates of public investment in these sectors. Public investment in these sectors does not crowd out private investment but rather crowds it *in*. Specifically, it paves the way for new industries to emerge and raises the return to *any* private venture or any sector that benefits from passable roads and reliable electricity. In Sierra Leone, only 8% of the total roads are paved against 17% in Sub-Saharan Africa as a whole. In 2007, national energy generation capacity was about the lowest in SSA. The country has the lowest power usage in Africa because of the low availability of power. There is clearly a huge backlog of investment in power and roads.

While agriculture provides livelihood and sustenance to the bulk of the population, the sector cannot play such a role without a modern transportation network linking primary producers and consumers. Therefore increased agricultural productivity, supported by efficient electricity production and a modern transportation network constitutes the basis for the Government's strategic priorities for the next few years. However, sustaining the envisaged growth will require a healthy and educated population: hence the need for promoting sustainable human development.

Based on these analyses, Government has prioritised the following:

- a) Enhancing National Electricity;
- b) Developing the National Transportation Network;
- c) Increasing Agricultural Productivity and Competitiveness;
- d) Promoting Sustainable Human Development.

4 ENHANCING NATIONAL ELECTRICITY

4.1 OVERVIEW: ENERGY IN SIERRA LEONE

Sierra Leone is endowed with substantial renewable energy resources, including biomass, solar and hydroelectricity. Biomass is the main source of energy for households and an estimated 87% of the total energy use in Sierra Leone is biomass in the form of firewood and charcoal. Although there are significant agricultural and crop residues estimated at 2 million tonnes, the productive use of this waste is limited. Also, given the country's location, there is an abundance of sunlight for solar energy, but an obstacle to solar-powered electricity generation is its high cost (see the Power Sector Plan of 1996), while poor nationwide awareness of the potential of solar power has made exploitation of this power source difficult. There are over 20 hydropower sites that can potentially produce over 1,200 MW of electricity in the country¹¹. Hydroelectricity power supply currently constitutes around 3-6 MW of total power generation. It is however the main available source of commercial energy that can play a significant role in socioeconomic development if fully exploited. The country is also currently undertaking rudimentary exploration activities for crude oil and gas within its territorial boundaries. Though grossly inadequate and expensive, thermal energy remains the main source of total installed electric power in Sierra Leone.

4.2 ECONOMIC AND SOCIAL IMPACT OF ADEQUATE AND AFFORDABLE ENERGY

The energy sector is the lifeline in the development of any nation and therefore, access to reliable and affordable energy supply on a sustainable basis, particularly by industry, agriculture, and the commercial sectors, is an important catalyst for achieving high economic growth and hence poverty reduction. However, less than 10% of Sierra Leone's total population has access to electricity, compared to 49% in Ghana, 46% in Nigeria, 96% in North Africa, 73% in Asia, 99% in China and 76% global average. Only around 1% of the total rural population in Sierra Leone has access to electricity. As a catalyst for growth, the Government is convinced that reliable energy supplies will increase investor confidence and industrial activities in the country, thereby creating productive employment opportunities for youth and lowering poverty levels, while supporting national social and macroeconomic stability. In addition, lowering or stabilization of the price of commodities due to reduced expenditure on private generators for power generation in the production, service and commercial industries, will also drive growth. Energy's role as a fundamental security must also be adequately addressed to promote growth.

The Government is further strongly convinced that providing adequate and affordable energy will, in the Sierra Leone context, greatly facilitate the achievement of the MDGs as follows:

- Reducing poverty by stimulating economic growth (MDG 1, target 1);

¹¹ Energy Master Plan Study, Lahmeyer, 1996

- Improving healthcare through the provision of reliable energy supply to hospitals, clinics and community health centres (MDG 4, target 5, and MDG 5, target 6);
- Improving education through the provision of reliable energy supply to nurseries, schools and colleges (MDG 2, target 3);
- Improving water supply through the provision of reliable energy for water pumping and treatment (MDG 7, target 10);
- Improving environmental quality due to reduced emissions from power plants, through efficiency improvement and through displacing inefficient, small auto-generation with central generation (MDG 7, target 9).

This conviction has thus compelled the Government to set itself the goal of attaining energy independence by optimizing the nation's full potential for power generation through higher investment in the sector by both public and private sectors as well as by its development partners. The transformation of the energy sector along these lines is therefore one of the key priorities of PRSP-II.

The main elements of this transformation include defining a clear energy policy and implementation strategy based on the circumstances of the country, including the need to: (i) significantly broaden electricity supply coverage through out the country including rural electrification; and (ii) address the severe constraints in transmission, market structure, regulation, and pricing. Against this background, the Government's main power generation mix during the PRSP-II period will be thermal and hydro. Both components in the generation mix have very high financial implications for the country. This is worsened by the very poor transmission lines especially to final consumers, and the high cost of improvements involved. Total national power generation demand is estimated at 200 MW, of which 125 MW is targeted during PRSP-II period. This comprises 100MW for Freetown and the western area and at least 1-2 MW each for the provincial and district headquarter towns.

The rest of this section focuses on the transformation challenges and policy initiatives in the following key areas, with each area considered in terms of short, medium and long term perspectives.

- Significantly enhance power generation while reducing the cost of thermal power generation (electricity sub-sector);
- Develop and significantly enhance hydro power generation;
- Eliminate/significantly reduce technical and transmission line losses;
- Significantly improve the trajectory of energy sector governance including NPA management.

4.3 CONSTRAINTS AND OPPORTUNITIES IN THE ENERGY SECTOR

Despite these endowments in potential energy resources, governance, financial, technical and environmental challenges have restricted the pace at which they have been developed.

The profile of the energy sector is characterised by the involvement of multiple institutions, without clear roles and responsibilities, thus making accountability and coordination of energy sector activities difficult.

- The Ministry of Energy and Power (MEP) has the responsibility for developing and implementing energy sector policy and coordination in all matters relating to exploitation of renewable energy resources.
- The Ministry of Lands, Country Planning and Environment handles biomass issues relating to environmental degradation in collaboration with the Ministry of Agriculture and Forestry.
- The Ministry of Trade and Industry is responsible for marketing and sale of petroleum products in close collaboration with the Ministry of Finance and Economic Development. The Ministry also operates the country's strategic reserve of petroleum products.
- The Petroleum Resources Unit (PRU) in the Office of the President is responsible for petroleum exploration and extraction.
- The National Power Authority (NPA), governed by a Board of Directors appointed by the Head of State through the National Commission for Privatisation (NCP), runs the power system in Sierra Leone. It is responsible for generation, transmission and distribution of electricity throughout the country. It supervises the Bo-Kenema Power System (BKPS) which is entrusted with the zonal responsibility for the generation, distribution and sale of electricity in Bo and Kenema in the Southern and Eastern provinces of the country.
- The NCP has oversight responsibility for the NPA and is responsible for its restructuring and eventual privatisation. Furthermore, by virtue of the NCP Act (2002), NCP also a direct role in developing the regulation and corporate governance principles of the sector as well as in policy making issues, in so far as they may impact on NPA's efficient role in the sector.
- The Petroleum Unit advises the Ministry of Trade on petroleum products stocks and pricing.
- The Bumbuna Project Implementation Unit coordinates and supervises the operations of the ongoing Bumbuna Hydroelectric Project. The Unit provides a technical link between Bumbuna contractors and the ministry of Energy and Power.

There are also significant financial, technical and environmental constraints for energy sector transformation, and the most obvious of these include:

- High cost of power generation relative to available budgetary resources.
- High energy subsidies and the negative impact on the budget and sustainable development.
- Weak financial viability and human technical capacity of the NPA.

- Huge technical losses in power generation and transmission.

While the energy sector faces significant constraints, there are a number of opportunities which could provide a strong basis for growth of the sector in the short, medium and long term. These opportunities include:

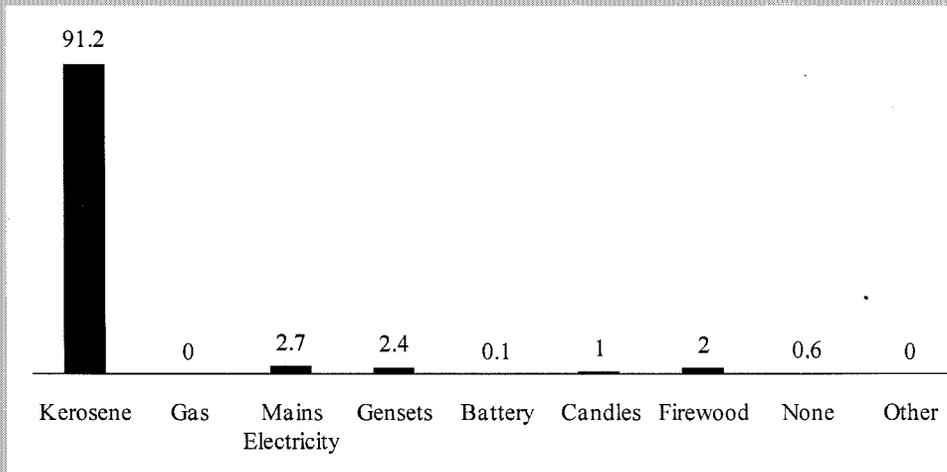
- Strong growth in the national economy will require increased production and efficient transmission of electricity, thus facilitating further development of the sector. This will open up the market for effective participation of Independent Power Providers (IPPs).
- Significant progress in private sector development will in turn provide an incentive for private sector investment in the energy sector. Significant growth in the sector can only come about through involving private sector resources especially in improving the necessary power sector infrastructure.
- Establishing a strong, favourable and equitable regulatory environment in the energy sector will provide significant trust, confidence and incentive for private sector participation.
- The establishment of strong sub-regional cooperation in energy, in particular within the Mano River Union, will open up sub-regional electricity generation and marketing, especially in hydroelectricity through expansion of the Bumbuna hydro project.

4.4 STRATEGIES FOR DEVELOPING NATIONAL ELECTRICITY

4.4.1 IMPROVING THERMAL POWER GENERATION

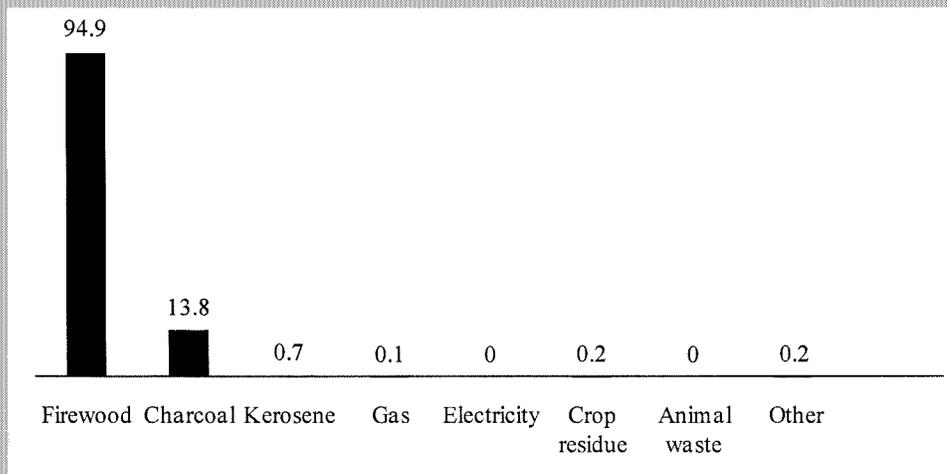
The present active customer base of NPA and BKPS is 44,000 and 9,600 respectively. This means only 7% of the population have access to electricity, a figure that is very low by both regional and international standards. However increasing access to electricity must be predicated on it being reliable, clean and affordable. Some of the barriers to a change in the energy use pattern, especially by the poor, include the replacement cost of electrically operated devices and in a number of cases the relatively high connection cost of electricity.

Figure 4: Percentage Distribution of Households by Fuel Used for Lighting



Source: Power Sector Master Plan, Lahmeyer International

Figure 5: Percentage Distribution of Households by Fuel Used for Cooking



Source: Power Sector Master Plan, Lahmeyer International

Figure 4 and Figure 5 show the distribution of households by fuel used for cooking and for lighting. The graphs show that 91.2% of households use kerosene for lighting whereas only 2.7% use mains electricity. In the case of cooking, 84.9% use firewood as fuel and 13.8% use charcoal. The number using electricity is under 0.1%, while 0.7% uses kerosene for cooking. Therefore any further switch to firewood will have attendant consequences of health impairment and other environmental hazards.

Currently, the country faces difficulties with commercial energy supplies, particularly electricity. Freetown is supplied with electricity from oil-fired thermal plants at Kingtom power station, while

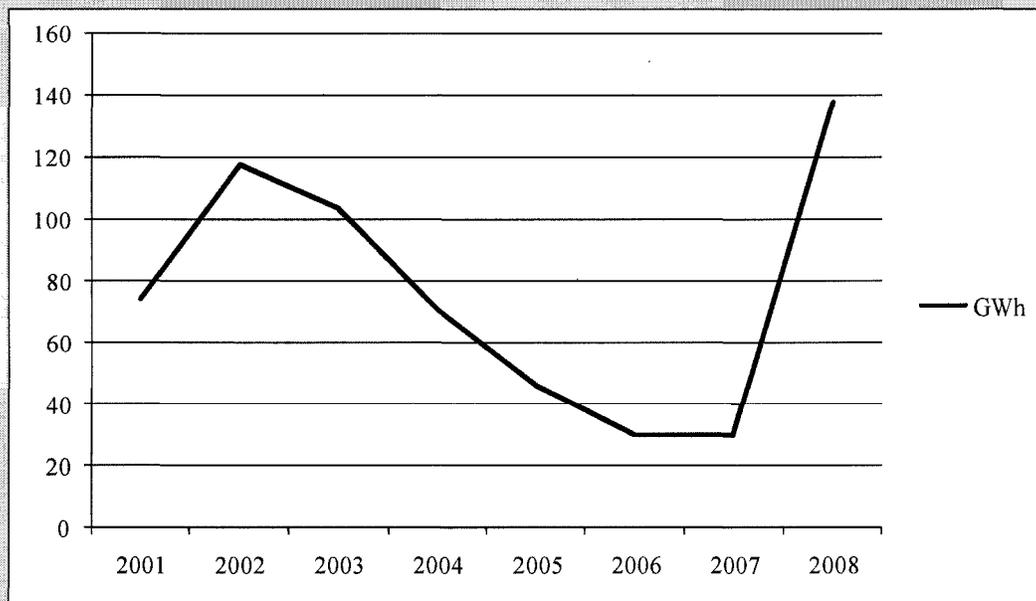
most areas in the interior, except for Bo and Kenema, are largely without power supplies. Bo, Kenema and their environs are supplied with electricity from a combination of oil-fired thermal power plants and a small hydropower plant.

Emergency Power Initiative

Between 2002 and 2007, and contrary to expectations under PRSP-I, electricity generation in Sierra Leone (i.e., Freetown, Bo and Kenema) experienced progressive deterioration, largely on account of weak investment and poor management of the sub-sector. The graph below shows the deteriorating trend in energy generation since 2001.

Total electricity generated by NPA in Freetown declined from 117 GWh in 2002, to 29 GWh and 28 GWh in 2006 and 2007 respectively, while that in Bo and Kenema came to near collapse. By 2005/2006 the established power was 30-35 MW, but only 15-20 MW available on a regular basis. This situation deteriorated, with brief sparks of improvement, continuously until by mid 2007 no electricity was being generated for the NPA grid. There was no investment to rehabilitate electricity supplies in the other provincial headquarter towns after the massive destruction of physical facilities during the civil war.

Figure 6: Generating Capacity 2001-2008 (GWh)



Source: Power Sector Master Plan, Lahmeyer International

Consequently, with the change in Government in September 2007, an Emergency Power Generation initiative was launched by the new President in December 2007 aimed at significantly increasing electricity generation in Freetown in order to minimise the protracted power outages and help improve security in Freetown. The programme had substantial economic justifications based on the catalytic role of energy to revive and stimulate economic activity.

Table 8: Generation Capacity by Region

Region		Installed Capacity (MW)	Operational Capacity (MW)	Available Capacity (MW)	Transportation Capacity (MW)
Western Area	NPA	38.0	5.0	0	30 (Kingtom)
	IPP (GTG)	15.0	15.0	15.0	10 (Blackhall)
	IPP (IEL)	10.0	4.0	2.0	-
	<i>Sub-total</i>	63.0	24.0	17.0	40.0
Bo-Kenema	NPA	11.0	7.0	7.0	-
Makeni	NPA	1.3	1.3	-	-
Moyamba	NPA	-	-	-	-
Pujehun	NPA	0.1	0.1	-	-
	<i>Sub-total</i>	12.4	8.4	6.5	6.0
TOTAL		75.4	32.4	23.5	46.0

Source: NPA

The President's Emergency Power Programme implemented by the Global Trading Group (GTG), re-established power at 15MW at Kingtom continuously. The Government also entered into another agreement with Income Electrix Limited for an additional 25MW for generation in the eastern parts of Freetown. IEL has installed a 10MW machine but due to the non-availability of fuel, only 2-4MW is being distributed from Blackhall Road. Clearly, the emergency power programme led to a sharp increase in power generation for Freetown from 5 MW to 20 MW by December 2007. However, this has been mainly in the western parts of Freetown. The city still faces problems with load shedding, as the available electricity generation capacity is still inadequate.

Against this setting and as shown in Table 8, the current combined electricity generation capacity of Government is 24MW against an installed capacity of 75 MW and a total requirement of between 60-100MW for Freetown. Apart from Bo and Kenema, and to some extent Pujehun, the rest of the country is without electricity. The national electricity gap is therefore filled by highly expensive private generators, some of which have had widespread fatal consequences.

From emergency power to sustainable affordable electricity

Despite the sharp improvement in electricity generation during the emergency phase (2007-2008), implementation of the programme demonstrated several operational difficulties and hard lessons going forward. These include:

- Lack of domestic resources to adequately support or complement donor funding to meet the cost of power generation;
- Violation, in some cases, of procurement rules and processes under the National Public Procurement Act;
- Difficulty of mobilising and realising continuous donor support based on adherence to donor conditionality frameworks;
- Weak national capacity both to negotiate and monitor IPP contracts as well as to design and implement equitable public and private partnerships in sectoral investments.

Because of NPA's weak financial capacity, Government had to provide huge subsidies to support the emergency phase. These subsidies were largely extra budgetary and were therefore destabilising for the national budget. They also undermined donor confidence, and affected direct budget support under the Multi-Donor Budget Support (MDBS) framework. Electricity is still only available mainly in the Western parts of Freetown. The city still faces problems with load shedding, as the available electricity generation capacity is still inadequate. The use of diesel engines has become increasingly expensive and uneconomical. Petroleum imports, the bulk of which are for electricity generation, account for 26% of total imports in Sierra Leone.

The biggest single challenge however, is making the transition from relatively costly emergency electricity generation to much cheaper, commercially viable and affordable electricity generation in the medium to long term through (i) the shift to low-cost thermal power generation (i.e. Heavy Fuel Oil-based, which is cheaper than diesel) including installation of projects funded by JICA (10MW) and BADEA (17MW); and (ii) making strategic exits from the existing high cost IPP arrangements. This transition is crucial as thermal power generation will continue to complement hydro systems. Until the mini-hydro potential and the indicative Bumbuna capacity are fully exploited, much of rural electrification will be thermal.

4.4.2 EXPLOITING HYDRO POTENTIAL

The combined capacity of hydro potential in the country, covering 20 sites, is currently estimated at 1,200 MW, of which the five phases of the Bumbuna hydro project when fully exploited will provide up to 250 MW at around 50 MW on average per incremental phase. Other potential mini-hydro project outputs range between 2 and 85 MW. The completion of phase I of the Bumbuna Hydroelectric Project (2009) and the enhanced Dodo hydro for Bo and Kenema (2009), and early exploitation of mini-hydros, are critical to ending the relatively expensive thermal generation of electricity and transiting to a more reliable, cheaper and sustainable hydropower supply. In order to maximise the benefits of the country's hydro potential, significantly large investment is required, especially through public-private partnerships and/or BOTs¹², as well as strong management systems for generation, transmission and distribution. The structural deficiency in the hydros means that there is an expected decline in energy generation during the dry season (November-April) when the water table drops significantly. As a result of this, plants can only supply effective energy for 6-7 months during the year; energy supply from the Bumbuna project will drop by 32 MW from a peak of 50 MW to around 18 MW.

4.4.3 EXPLORING OTHER ENERGY POTENTIAL

While much of the Government's focus in the energy generation mix is on thermal and hydro, Sierra Leone also has enormous potential for exploiting other renewable sources of energy that are less environmentally damaging.

- Biomass resources have been estimated at 656,000 tonnes of crop wastes per year, with a total annual energy potential of 2,700 GWH, or 308 MW.

¹² BOTs: Build-Operate-Transfer project financing arrangements

- Solar radiation has been estimated at 1,460-1,800 GWH per annum, allowing the potential to utilise solar photovoltaic solutions in a decentralised configuration across the country for lighting, water pumping, etc.
- Average wind speed is recorded as between 3-5 m/s, whilst its application may be limited to small scale water pumping applications, etc.

4.4.4 UPGRADING AND EXPANDING THE NATIONAL TRANSMISSION AND DISTRIBUTION NETWORK

The transmission and distribution network in Freetown was constructed in the 1960s and it is over forty years old. It is very inefficient and has outlived its economic useful life. It is also unsafe: incidences of fallen poles, punctured cables and cut wires are common occurrences. In 2008 alone, ten transformers blew up due to age and overloading. Technical line losses as a result of poor transmission are estimated at 40% of power generated.

Getting the network of transmission and distribution lines modernised, and ready to deliver the increased power that is expected when Bumbuna is completed, is one of the Government's top priorities. There is an urgent need to overhaul and upgrade the entire network in Freetown, as this will reduce technical losses, decrease outages, and improve quality and reliability of power supply; above all it will increase transmission and distribution capacity from 15 MW to around 100MW. New transmission and distribution lines will also need to be installed for rural electrification.

4.4.5 IMPROVING ENERGY SECTOR GOVERNANCE

Energy Sector governance is central to reducing significant operating risks in the energy sector. A clearly defined trajectory of improving governance will therefore be concluded and implemented during the transition from the emergency power supply to sustainable affordable power supply. This is also important in the context of broadening the energy outreach nationwide. Some major structural reforms will therefore be undertaken in the following areas:

- Streamlining the existing institutional arrangements as outlined above. The leadership and oversight roles as well as accountabilities and responsibilities, including the specific roles of the Ministry of Energy and Power, the NCP and NPA, will be addressed. Government fully recognises the apparent duplication of roles, especially in respect of coordination of government and donor support operations as well as oversight and authority over the operational activities of NPA, including procurement and contracting.
- The Ministry of Energy and Power will specifically guide the design, implementation and monitoring and evaluation of the national energy policy and implementation strategies including tariff setting.
- Developing a sector wide legal, regulatory and supervisory mechanism to cover power generation, transmission, distribution and tariffs.
- Establishment of a high level Energy Task Force to provide strategic oversight in the sector including donor coordination, private sector participation (IPPs) and Public-Private partnership arrangements.

- Restructure and modernise NPA to improve significantly on its management, operations, analytic capacity and financial viability. Some of the key areas of consideration will include recruitment of management and staff, Board governance, financial engineering to improve revenue collection, wastage, transparency and accountability, etc.

4.4.6 INTEGRATED ENERGY POLICY APPROACH

The Government will take a more strategic approach to managing the energy sector in Sierra Leone in the context of an integrated policy and operational framework, focussing largely on promoting widespread public and private sector participation in power generation, transmission, and distribution as well as in integrating the energy sector into activities of other sectors with related synergies, especially water, roads, communications, etc. Best practice also dictates the need to set up a regulatory commission for the energy sector.

Additionally, the integrated energy policy framework will also focus on the urgent need to reduce the health and environmental costs associated with the production, distribution and use of energy. The Government will therefore regulate and enforce pollution abatement from thermal plants and conduct Environment Impact Assessments whose findings will be used as a basis for approval for implementation, reformulation and non approval for all energy projects.

While exploring the potential of a coordinated energy framework within the Mano River Union (MRU), Sierra Leone will also, under the integrated energy policy framework, seek to become a fully active member of the West African Power Pool (WAPP) task force led by the ECOWAS Secretariat. This will provide access to regional inter-connector transmission facilities as well as access to funding for developing regional supply initiatives; a link to the proposed WAPP should be completed in 2009.

5 DEVELOPING THE NATIONAL TRANSPORTATION NETWORK

Poverty reduction requires an adequate means of moving people and goods: therefore a developed transportation network is critical to growth and development. A good road network shortens the travel distance to and from school thereby assisting in the achievement of universal primary education. It will help reduce mortality rates as it will reduce the distances travelled to access basic health care, especially for people living in remote areas. A good transportation network is a prerequisite for growth in key sectors such as agriculture. Along with the energy sector, transport development is a crucial factor in poverty alleviation. The Government is focusing on improving transport infrastructure, especially in road, air and river transportation.

5.1 OVERVIEW: NATIONAL TRANSPORT SYSTEMS

Currently, the transport system in Sierra Leone includes the following:

- 11,300 km of classified roads of which approximately:
 - 780km are paved;
 - 3,264km are gravel;
 - 4,152km are feeder roads.
- One harbour (The Queen Elizabeth II Quay) which is the main entry point by sea.
- One international airport at Lungi, accessible to Freetown by ferry and by road;
- Smaller airports (rated as fair/poor) for inland transportation, and several inland river waterways.

5.2 IMPROVING THE ROAD NETWORK

5.2.1 SITUATION ANALYSIS

Of the 11,300km of classified roads in the country, 8,148 km are classified in the national road system. The remaining roads consist of urban roads, community roads, local roads and farm tracks. With respect to the regional distribution of roads, the Northern Province accounts for 41% of the roads followed by the Southern Province with 33% and the Eastern Province with 23%. The Western Area accounts for only 3%. Table 9 and Table 10 below show the current state of the road network and its regional distribution.

The basis of classification of the national road network is as follows:

- Class A, Primary Roads, connect Freetown with the three provincial capitals, as well as with the district centres, and also include international routes.

- Class B, Secondary Roads, connect the district centres, serve as regional main roads and are connectors between primary roads and other secondary roads between centres of production and distribution.
- Class F, Feeder Roads, provide basic means of communication serving several villages or small towns or connecting minor centres of population to a higher class road. They are classified as either gravel or earth roads and carry a maximum of 50 vehicles per day (gravel roads carry 20 to 50 VPD, while earth roads carry less than 20 VPD).

Table 9: Current State of the Road Network

Road Network/Class	Total Length (Km)	Current Status (Km)			
		Excellent	Good	Fair	Poor
Class A					
Bituminous	756	294	152	135	175
Unpaved	1,384	-	411	206	767
Subtotal Class A	2,140	294	563	341	942
Class B					
Bituminous	24	-	-	10	14
Unpaved	1,880	-	620	580	680
Subtotal Class B	1,904	-	620	590	694
Class F (Feeder Roads)	4,152	-	1,420	762	1,070
Urban Roads	3,104	140	24	1,126	1,814
Total	11,300	434	2,627	2,819	4,520
Percentages	100%	4%	23%	25%	48%

Source: Sierra Leone Roads Authority (SLRA)

Table 10: Regional Distribution of Road Network

Administrative Area	Classification		
	Land Area (Km ²)	Road Length (Km)	Density (Km/km ²)
Western Area	577	242	0.42
Northern Province	35,936	3,317	0.09
Eastern Province	15,553	1,878	0.12
Southern Province	19,694	2,711	0.14
Total	71,740	8,148	0.77

Source: SLRA

Road transport accounts for the majority of freight and passenger movements in Sierra Leone. Poor rural roads and a lack of regular transport services for personal travel and evacuation of agricultural products still pose serious problems. The country faces two major gaps in rural transport development. The first is the existence of inadequate and poorly maintained rural and feeder roads connecting villages and farming areas to market centres. The second gap is the poor and unreliable rural services caused by lack of intermediate means of transport and appropriate infrastructure for use, leaving the carrying of goods almost entirely to commuters, mostly women. Urban transport plays a very important role in the economy of Sierra Leone, due to the fact that a significant proportion of economic activities takes place in the major cities. However urban

transport is characterized by an inadequate supply of public services (both in quality and quantity), a lack of non-motorized travel, intermediate modes of transport and heavy traffic congestion.

Although road transport is the dominant mode in the country, most of the fleet consists of second hand vehicles, and is unable to meet current demands. Taxis and mini buses are expensive despite operating on a shared ride basis, and these form the only way to travel for many commuters. In rural areas, passengers need considerable luggage space since they carry their produce (i.e. fish, agricultural products etc) to towns. Despite the inadequacy of the public transport system the public tend to accept the situation as there is little immediate alternative.

5.2.2 STRATEGIES FOR DEVELOPING THE ROAD SYSTEM

The next five-year road network improvement plan targets the outcomes listed in Table 11 for the existing road network, with the indicated minimum cash outlay in Table 12.

Table 11: Expected Status of Road Network After Five Years

Road Network/Class	Total Length (Km)	Status after 5 years			
		Excellent	Good	Fair	Poor
Class A					
Bituminous	756	664	92	-	-
Unpaved	1,384	-	825	264	295
Subtotal Class A	2,140	664	917	264	295
Class B					
Bituminous	24	20	4	-	-
Unpaved	1,880	-	1,050	630	200
Subtotal Class B	1,904	20	1,054	630	200
Class F (Feeder Roads)	4,152		3,475	345	332
Urban Roads	3,104	200	850	1,654	400
Total	11,300	904	6,296	2,893	1,227
Percentages %		8%	56%	26%	10%

Source: SLRA

Table 12: Minimum Road Network Investment Cash Outlay per Financial Year

	Total Cost in US\$ million						
		FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Road Class A	770	110	127	177	169	100	89
Road Class B	271	25	45	50	45	51	55
Urban Roads	482	45	65	75	102	100	95
Feeder Roads F	375	55	125	45	55	45	50
Totals \$ million	1,898	235	362	347	371	296	289

Source: SLRA

Specifically, developing road transportation will focus on the following:

- Construct, rehabilitate and maintain the road network, through enhanced local capacity, both in the public and private sector;
- Expand the national road system for the enhancement of socio-economic development;
- Ensure a free flow of traffic through the provision of additional public transportation and improved vehicle examination, enforce tariff regulations;
- Design, develop and administer rules and regulations regarding the registration and licensing of motor vehicles;
- Develop manpower needs to service the transport industry, including training and motivating transport personnel in the private sector;
- Promote road safety through the establishment and dissemination of a code of conduct to be known as the Highway Code for drivers and other users of roads and highways;
- Development of local contractors and consultants for the transport industry;
- Development of vehicle weight regulations on highway.

Specific activities that will be undertaken are summarized as follows:

- Construction of the Freetown Ring Roads. The outer ring will include Spur Road, Wilkinson Road, Coastal Road, Grafton to Cline Town Road, and Regent to Grafton Road. The inner ring road will include Hillside Bypass Road, Jomo Kenyatta Road, Hill Cot Road, Spur Road, Wilkinson Road and Freetown Coastal Road. The African Development Bank has provided the funds required for the feasibility studies and preparation of tender documents for the project.
- Construction of Tokeh-Lumley Road. This involves the construction of a two lane road from Tokeh village to Wallace Johnson Bridge at Lumley and a four lane road from the bridge to the Lumley Police station. In addition, 8km of village access roads; two off-street parks at Lumley, and a monument will also be constructed.
- Rehabilitation of Bo-Masiaka Highway. This will ensure an all weather trunk road that connects to the Trans-West African highway; about 48% is complete.
- Rehabilitation of Songo-Moyamba Junction Road. This will provide access to reasonable means of transportation of agricultural produce to the nearest market centres and to link the bauxite and rutile mines to the national harbour. Construction work is in progress; about 13% is complete.
- Reconstruction of Freetown Conakry highway. This will provide an all weather highway as part of the Trans-West African Highway connecting Sierra Leone to Guinea. This will foster regional cohesion with other West African States that will enhance social and economic integration. The contract for the first phase has been terminated but bidding documents for the second phase are being prepared.
- Reconstruction of Kenema-Koindu Road. This road will connect the eastern provincial headquarter town of Kenema to Koindu which is the trading border town with Liberia. It will also link Freetown with the eastern parts of the country vital for the production of

cocoa, coffee and timber. The road will also link Sierra Leone, Guinea and Liberia, thus acting as an integral link to the Trans-West African Highway. Prequalification of both contractors and consultants have been completed and the project will be put to tender soon.

- Reconstruction of Freetown-Monrovia Road (Bo-Bandajuma-MRU Bridge). This road will provide a first class highway as part of the Trans-West African Highway. It will also provide a major link between the district headquarter town of Pujehun and the rest of the country. Prequalification of both contractors and consultants has been completed and the project is awaiting funding to be implemented.
- Construction of the New Lungi Airport Road. This also involves a mass transit facility between Freetown and Lungi. Feasibility studies have been completed and the project is awaiting funding to carry out detailed design.
- Construction of Access Road in Freetown. The main purpose is to rehabilitate the core of the road network outside the business district of the city. Detailed design and preparation of contract documents are in progress.
- Rehabilitation of main roads in major provincial towns and cities. This project will rehabilitate the main roads in some of the major provincial towns, thereby improving on the socioeconomic status of the people.
- Rehabilitation of the Matotoka-Masingbe-Kono Road. This will involve rehabilitating the main roads in some of the provincial towns and villages with agricultural and mining potential. Feasibility study and detailed engineering design are in progress.
- Rehabilitation of the Port Loko-Lungi Road. The project will construct an all weather road linking Lungi to the rest of the country thereby facilitating movement of goods and services from the international airport. Detailed design and preparation of contract documents have been completed, and once funds are committed the tender documents will be prepared.
- Construction of storm drains in Freetown. This will reduce flooding in the city. The project is awaiting funding in order to carry out detailed engineering design.

5.2.3 ADDRESSING TRANSPORT-RELATED PROBLEMS IN FREETOWN

In addition to the above activities, there is an urgent need to address the transportation problems in Freetown, which is experiencing a rapid population growth accompanied by a fast growing vehicle fleet. The existing limited transport infrastructure in Freetown creates serious transport related problems including serious traffic congestion, traffic accidents, parking problems, environmental and extremely serious social problems.

Government will therefore focus on enhancing the capacity of the Freetown City Council to enable them to develop and implement a City Master Plan and a road traffic plan as a prerequisite for addressing the socio-economic conditions of the city.

5.3 IMPROVING RIVER TRANSPORTATION

The country has seven principal rivers, five of which are presently being used for transportation as shown in Table 13.

Table 13: Inland Waterways

Inland Waterways	Km
Great Scarces above mouth (Barto Point)	34
Little Scarces above junction with Great Scarces	26
Sierra Leone river and Port Loko Creek	38
Rokel river above junction with Port Loko Creek	21
Sherbro river system	151
Total Inland Waterways	270

Source: Ministry of Transport and Aviation

River transportation has the potential of capturing 10% of the total market share of goods and services transported in Sierra Leone; however the sector is constrained by high transportation costs, inadequate boat construction, and a lack of safety gear and navigational lights for night travel. Improving river transportation will lead to increased access to safe and affordable transport facilities, which will facilitate the movement of food across the country and thus provide cash income for farmers. It will also increase the export potential for food crops, fruits and vegetables. Government's overall objective in this sub-sector is to develop an efficient, safe, reliable and competitive maritime, coastal and inland waterways system. To achieve this, the Government will focus on:

- Improving the regulatory capacity of the Sierra Leone Maritime Administration
- Promoting safety at sea;
- Constructing jetties;
- Dredging of some of the rivers to increase capacity.

5.4 UPGRADING LUNGI INTERNATIONAL AIRPORT

Lungi International Airport, which serves as the gateway to the country, needs to be upgraded to allow the arrival and departure of all sizes of international carriers. The Government will focus on the following:

- Reconstruct, expand and upgrade existing Lungi airport infrastructure.
- Design and promote aviation safety.

- Facilitate international and domestic movement of people and goods through the effective management of the airport.
- Provide efficient passenger and cargo handling facilities.
- Address the problem of linking the Lungi International Airport with Freetown through public-private partnership arrangements that will provide additional ferries and other safe means of sea transportation. .

5.5 DEVELOPING THE FREETOWN PORTS

The Freetown Seaport acts as the gateway to seafaring vessels serving the country's import and export trade by sea. The Freetown port, managed by the Sierra Leone Ports Authority (SLPA), is presently a service port responsible mainly for cargo handling and pilotage. The Government wants to make the port of Freetown the least-cost port in the sub-region in the medium term, and a full transshipment hub in the longer term. However, there is an urgent need for the upgrading of the port, as well as improvements in its management to ensure that appropriate and adequate facilities for international trade are readily available.

In the short to medium term, the Government will attempt to transform the Sierra Leone Ports Authority from a service port to a landlord port, in which the core activities of stevedoring and shore handling will be relinquished to private sector operators. The privatisation of the port will be financed through the World Bank-funded Infrastructural Development project. Also, all non-core operations and the marine slipway are in the process of being privatised through the National Commission for Privatisation. Additional activities will include: provision of handling and security equipment; rehabilitation of the Kissy Oil and the Government Wharf jetties; provision of pilot, tug and mooring workboats and the dredging of the Lighterage Quay.

5.6 REINTRODUCING RAIL TRANSPORTATION

Rail transportation was dismantled in 1975 and replaced with new roads as it was not considered viable due to low traffic and volumes. The current Government policy is to re-introduce the railway system: as a result feasibility studies of rail transportation system will be undertaken. The reintroduction of railway transportation will enhance the development of agriculture and mining activities as well as complementing the existing waterways and roads.

The Government has started discussions with a private company on the development of the rail infrastructure associated with the iron ore industry serving Tonkolili, Marampa and the Pepel Port. It is also envisaged that this railway can be expanded in future to service other parts of the country to enhance transportation of passengers and goods.

6 ENHANCING PRODUCTIVITY IN AGRICULTURE AND FISHERIES

6.1 AGRICULTURE

6.1.1 OVERVIEW: AGRICULTURE AND DEVELOPMENT

Agriculture is the largest economic sector in the country. Nearly two-thirds of the population depend on it for its livelihood and it is responsible for almost half of the country's GDP. Therefore economic growth and poverty reduction in Sierra Leone will only be sustained with developments in the agricultural sector. As the sector expands, it will stimulate growth in other sectors through increased demand for tools and chemicals, as well as providing raw materials for agro-based industries. Also, it will generate employment along the agricultural value chain of input supply, production, agro-processing and marketing, including exportation.

6.1.2 PRODUCTION TRENDS

There has been a general steady increase in agricultural production although fish imports have also continued to increase. Sub-sectorally, livestock was very resilient and sustained an increase in population throughout, whilst crops and fisheries staggered during the period 2005-2007. In fact, by 2007, the production of rice, cassava and sweet potato fell.

There has been a steady increase in domestic food production and it is estimated that the share of households with adequate food consumption has increased from 56% in 2005 to 71% in the 2007. With regards to production of specific crops, the level of rice self-sufficiency in the country increased from 57.4% to 71% between 2002 and 2007. The production of roots and tubers (mainly cassava and sweet potato) is currently far in excess of the national requirement for fresh consumption and the livestock population is showing a gradual increase. In general, the production of the country's major food crops (rice, cassava, sweet potato and groundnut), livestock (cattle, goat and sheep) and domestic fish rose from 2002 to 2007. The fisheries subsector is dealt with below in section 6.2.

Rice production and self-sufficiency

The production of rice, the country's staple food crop, increased by 27.5% in 2007. Progress in terms of expansion in the area cultivated is partly as a result of an increase in the number of farm families that cultivated rice in 2007 compared to 2005, and partly due to continuing government and donor input assistance to farmers, including mechanical cultivation services.¹³ However, rice production remains insufficient to meet the total consumption requirements at the national level. The overall national self-sufficiency level of rice is estimated at 69%¹⁴, the same figure as in 2005/2006¹⁵. Hence, meeting food needs depends on the production of other crops such as tubers (including cassava and sweet potatoes) and import of rice.

¹³ See the Vulnerability Analysis and Mapping Report, Ministry of Agriculture and Food Security, 2008

¹⁴ See the Vulnerability Analysis and Mapping Report, Ministry of Agriculture and Food Security, 2008

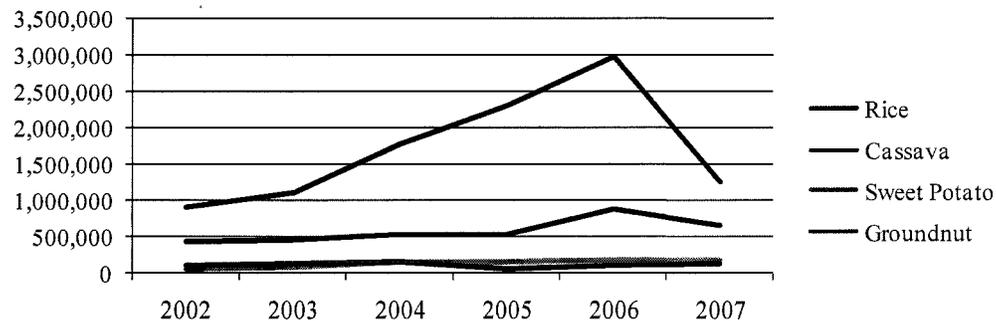
¹⁵ See Sierra Leone Poverty Reduction Strategy Annual Progress 2005/2006

Table 14: Trends in Major Poverty Reduction Strategy (PRS) Agricultural Indicators

Main PRS indicator	2002	2003	2004	2005	2006	2007	Annual %age increase
Crop							
Rice (Paddy) Production (t)	422,065	445,633	526,619	526,617	875,000	637,983	8.6%
Cassava Production (t)	895,817	1,091,178	1,759,292	2,287,060	2,973,100	1,236,852	6.7%
Sweet Potato Production (t)	45,450	74,446	153,198	153,196	168,129	158,219	28.3%
Groundnut Production (t)	98,400	117,000	152,000	56,557	115,203	118,849	3.8%
Livestock							
Cattle Population (Head)	100,000	120,000	150,000	200,000	313,000	345,000	28.1%
Goat Population (Head)	250,000	300,000	350,000	450,000	548,000	630,000	20.3%
Sheep Population (Head)	200,000	235,000	300,000	375,000	469,000	540,000	22.0%
Fishery							
Domestic Fish Production (t)	66,638	82,922	120,620	132,411	124,906	134,000	15.0%
Fish Imports (t)				2,079	3,459	3,459	
Fish Processors Trained (No)				125	2,500	2,500	
Fish Ponds Constructed (No)				1,000	1,500	1,500	
Number of Refrigerated Containers				6	23	23	

Source: Ministry of Agriculture and Food Security

Figure 7: Trend in Crop Production (thousand metric tonnes)



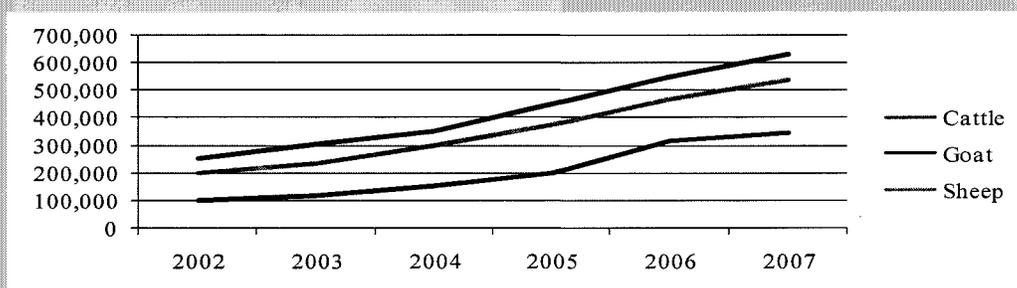
Source: Ministry of Agriculture

Production of cassava, sweet potato and groundnut

Cassava and sweet potato are among the key substitutes for rice for many households in Sierra Leone¹⁶, especially in the rural settlements. Although cassava production increased between 2005 and 2006 (Table 14), on the whole its production decreased by 46% during 2005-2007; production of sweet potato and groundnut increased respectively by 3% and 110% from 2005 to 2007.

It is important to note that all reported crops above declined in production between 2006 and 2007 with the exception of groundnut, which continues to register an increase from 2005. This suggests that efforts to promote the agricultural sector should be sustained to ensure continued positive trends in the sector's performance. 2007 is reported to have met a number of constraints including the decline of government budgetary allocation to the agricultural Ministry. Although acreage in these crops increased in 2007 due to the introduction of tractors, it appears the effect of the reported fall in the use of fertiliser, herbicides and other important farm chemicals, and the decline in extension packages, may have outweighed the effect of the application of mechanised farming. It is also noted that farm holdings reduced significantly in 2007 compared to 2006.

Figure 8: Trend in Livestock Production (head)



Source: Ministry of Agriculture

Livestock

Generally, there has been continuous increase in the production of livestock (cattle, goats and sheep) from 2002 to 2007. Over the PRSP-I period, cattle production increased by 9.3% in 2007 from 2005; goat and sheep increased by 13.0% and 13.2% in 2007 from 2005 respectively. This increase could be partly explained by the government's sustained effort at promoting the livestock restocking programme after the war.

¹⁶ From the Vulnerability Analysis and Mapping Report 2008, while on average households eat rice 5.7 days a week, cassava products and other tubers are eaten 4.7 days a week; this shows the level of substitutability and importance of the latter crops for rice as staple.

6.1.3 AGRICULTURAL EXPORT PERFORMANCE

Modest increases were recorded from agricultural export earnings as total earnings from the agricultural sector increased by 7.09 % to US\$13.7million in 2007 from US\$12.8million in 2006¹⁷. Receipts from exports of coffee, cocoa, fish and shrimps mainly accounted for this increase. Export earnings from coffee increased by 268% in 2007 from 2005; export earnings from cocoa increased by 101% in 2007 from 2005; and export earnings from fish and shrimps increased by 484% in 2007 from 2005. Sustained increase in coffee exports from 2005 to 2007 was attributed to favourable world market prices, which encouraged local production. Export earnings from cocoa were recorded to have marginally fallen by 1.8% in 2007 from 2006 due to a slight decrease in the volume of production from 13.9 thousand metric tons in 2006 to 13.7 thousand metric tons in 2007.¹⁸

Table 15: Value of Agricultural Export (US\$)

	2005	2006	2007	% change from 2005 to 2007
Coffee Exports (US\$)	503,800	1,093,000	1,854,700	268
Cocoa Exports (US\$)	5,659,100	11,571,000	11,368,100	101
Fish and Shrimps (US\$)	76,000	97,000	443,800	484
Total (US\$)	6,238,900	12,761,000	13,666,600	119

Source: Ministry of Agriculture

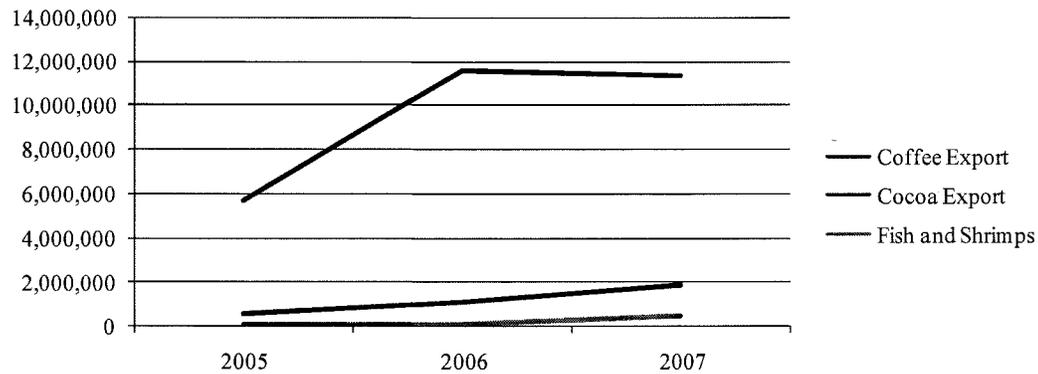
Progress is also being made in the production of cash crops and agricultural export earnings are on the increase. This has especially been so in the case of cocoa, whose farmers have benefited from a policy of quality improvement that has allowed them to access a favourable price for organic cocoa in the world market.

In general, support to agriculture has been focused on reducing poverty and food insecurity, which is in accordance with Millennium Development Goal Number 1. Therefore, there has been a concentration on small-holder farmers, and less attention has been paid to commercial farming.

¹⁷ Bank of Sierra Leone Annual Report and Statement of Accounts 2007

¹⁸ Bank of Sierra Leone Annual Report and Statement of Accounts 2007.

Figure 9: Value of Agricultural Export (US\$)



Source: Ministry of Agriculture

6.1.4 CHALLENGES IN THE AGRICULTURAL SECTOR

The sector faces the following challenges:

- **Inadequate budgetary support:** Agriculture currently receives less than 3% of the national budget allocation and considering that nearly two thirds of the population depend on it, there is significant under-funding of activities in the sector.
- **Inadequate rural financial services:** Access to financial services such as credit and savings facilities is extremely limited. This makes it difficult for farmers to access loans for the purchase of inputs and also to save money for consumption in the 'hungry period'.
- **Heavy reliance on rain-fed agriculture:** Limited irrigation facilities in the country mean that farmers are reliant on rain-fed agriculture and are therefore limited in the number of crops they can plant in a year.
- **Labour drudgery:** The unavailability of mechanized equipment forces farmers to be dependent on manual labour. This limits productivity in the sector.
- **Weak rural infrastructure:** The poor quality of rural roads, transport, markets; energy and power hinder the productivity of farming, particularly commercial farming, and so act as a disincentive to the private sector.
- **Weak extension system:** The limited capacity of the current extension system hinders the delivery of training, information and advice to farmers.
- **Absence of a sector database for policy, planning, monitoring, evaluation and reporting:** Until the database is established, activities in the sector are hindered by a lack of quick and

easy access to necessary information. This can restrict the efficiency of activities, as well as the lack of co-ordination between stakeholders and a duplication of activities.

- **Poor coordination among sector stakeholders:** As described above, the poor co-ordination between stakeholders can sometimes lead to different stakeholders tackling the same problems but totally missing out others.
- **Long-term concentration on subsistence farming:** The sector has traditionally been dominated by subsistence farming and so if commercial farming is to be successful, a significant change in the mindset of the farming population may be needed. It will be important to ensure that the farmers are provided with sufficient incentives to make commercial farming attractive enough for them.
- **Low and limited research activities:** The low level of current research activities restricts advances in technology, efficient farming practices and productivity.
- **Very weak sector institutions, especially the MAFFS:** the low capacity of sector institutions restricts their ability to carry out the necessary activities for the development of the sector.

6.1.5 STRATEGIES FOR DEVELOPING THE AGRICULTURAL SECTOR

To address these challenges, the Government will focus on:

- **Increasing agricultural productivity (intensification and diversification):** The use of agricultural machinery such as tractors, power tillers and harvesters will be intensified, as will the establishment of supply chains for inputs such as fertilizers, pesticides and high yielding seed varieties such as NERICA and Roks. In addition, irrigation facilities will be increased to expand the cropping cycle year round and to raise production levels. Agro-processing marketing and distribution will be enhanced. To increase food self sufficiency, farmers will be encouraged to increase the cultivation of food crops such as cassava, sweet potatoes, water yam, coco yam and maize.
- **Promoting commercial agriculture through private sector participation:** Commercial agriculture will be promoted by creating an enabling environment that is attractive for the private sector to invest. Post harvest storage facilities will be provided in the form of storage, drying floors, rice mills, threshers, animal feed mills and abattoirs. Access to rural credit will be improved through establishment of community banks and financial services associations. Feeder roads and community markets will be rehabilitated and or constructed to facilitate movement of goods to market places. Farmer-based organizations are to be reformed and trained in order to build their capacity to engage in commercial agriculture.
- **Improving agricultural research and extension delivery systems:** National Agricultural Research and Extension policies, strategies and programmes are to be formulated within one year. Implementation of these will improve the quality of extension services provided to farmers and therefore allow them to improve their productivity. Information, Education and Communication strategy is also to be developed and implemented. Research and extension will promote appropriate technologies for packaging, handling, processing, and storage quality and capacity, even at the village level.

- **Promoting efficient and effective sector resource management systems:** A National Agricultural Development Plan will be developed and implemented. The strategy will promote the establishment of a database for agricultural statistics as well as creating a sector coordination mechanism. This will strengthen sector policy formulation, planning, monitoring and evaluation, and resource management.
- **Mainstream cross-cutting issues in agriculture:** Workshops and sensitization campaigns will be held in order to educate farmers about important issues such as gender, youth employment, farmer health (including HIV/AIDS) and environmental sustainability.

6.2 MARINE RESOURCES

6.2.1 OVERVIEW OF THE FISHERIES SECTOR

The fisheries sub sector contributes 8.0% of GDP, and fish is the largest single source of animal protein for the majority of Sierra Leoneans, supplying about 80 % of the total animal protein for consumption. Small-scale artisanal fishery is a significant source of employment, rural income and fish protein to a vast majority of Sierra Leoneans

The industrial fishery subsector is highly capital intensive and foreign-dominated, but constitutes the mainstay for revenue generation from fisheries. It is estimated that the industrial fisheries activity currently employs about 1000 people and contributes between 15-20 % of total fish production in the country. Total estimated fish production is about 20,000 Mt and this principally comprises shrimps, other shellfish (mainly cuttlefish and snails) and demersal fish. The low employment rate in this sector is largely due to inadequate land based fisheries infrastructures and support services. The sector has a potential to contribute significantly to economic growth and development through major investment and an effective fisheries surveillance system.

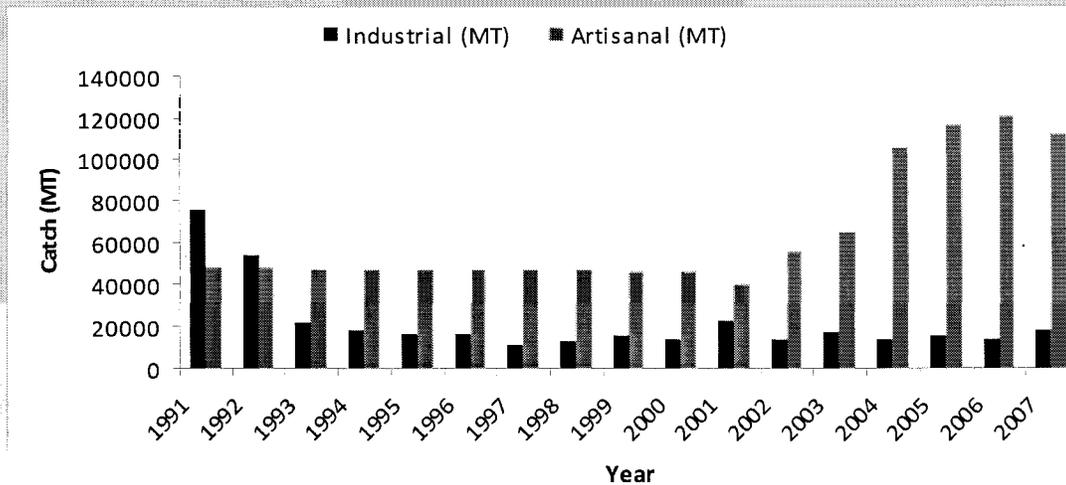
6.2.2 PRODUCTION TRENDS

The general trend of fish production is shown in Figure 10. The biomass – “how much is there” – and potential yields – “how much we can take annually” – are illustrated in Figure 11. The biomass indicates a healthy resource base.

Revenue generation from fisheries increased after the end of the civil war (Figure 12), but this is still far below the potential. Responsible fishing practices and strong surveillance capability will enhance the contribution of the sector to fiscal revenues.

The estimated total dollar value of Sierra Leone’s standing stock biomass and annual potential yields (Table 16) using prices quoted in latest editions of INFOPECHE Trade News, African Edition is estimated at US\$ 271.3-499.8m and US\$ 92.3-144.8m, respectively. Estimates suggest higher economic values for our pelagic resources.

Figure 10: Sierra Leone Fisheries Production Trend, 1991-2007



Source: MFMR, 2009

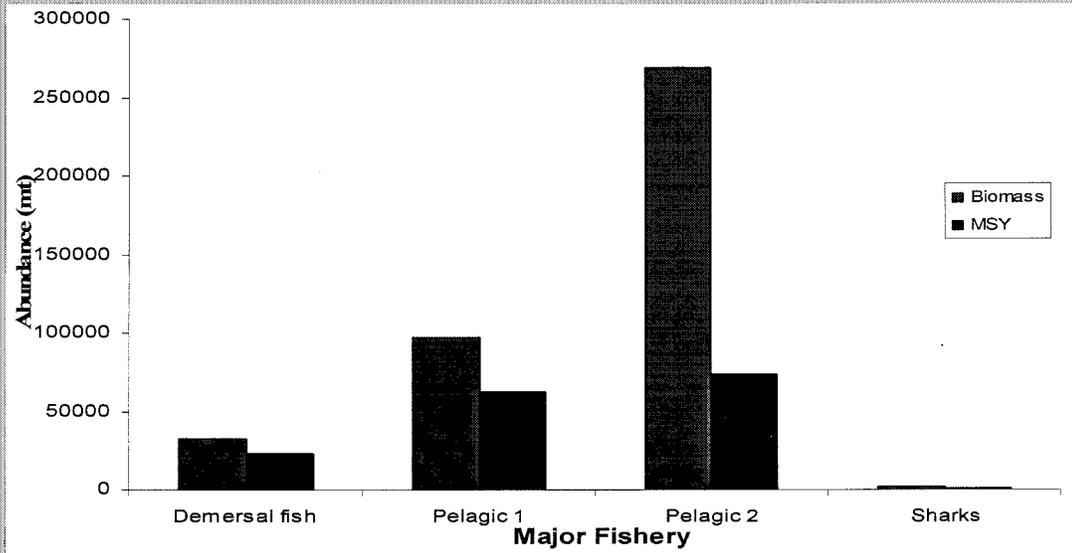
An economic value of yields is estimated at more than US\$ 100 million per annum, which can indeed contribute significantly towards poverty reduction in Sierra Leone. Government will therefore endeavour to manage the resources sustainably in order to derive maximum benefits, which will contribute towards food security for all Sierra Leoneans, and the reduction of poverty.

6.2.3 CHALLENGES

The fishery sector has recorded appreciable performance in both artisanal and industrial fisheries. This has led to a sustained increase in domestic fish production. The sector has been providing substantial livelihoods for a good proportion of the households. However, post-harvest loss in the artisanal fishery sector was estimated at 15% in 2005, largely attributed to inadequate capacity in fish handling and processing. In response, Government has been embarking on a massive training programme in fish processing, where up to 2,500 people were trained in 2007 compared with 125 trained in 2005. This covered the entire country. Government also increased the refrigerated containers for fish preservation from 6 in 2005 to 23 in 2007 countrywide.

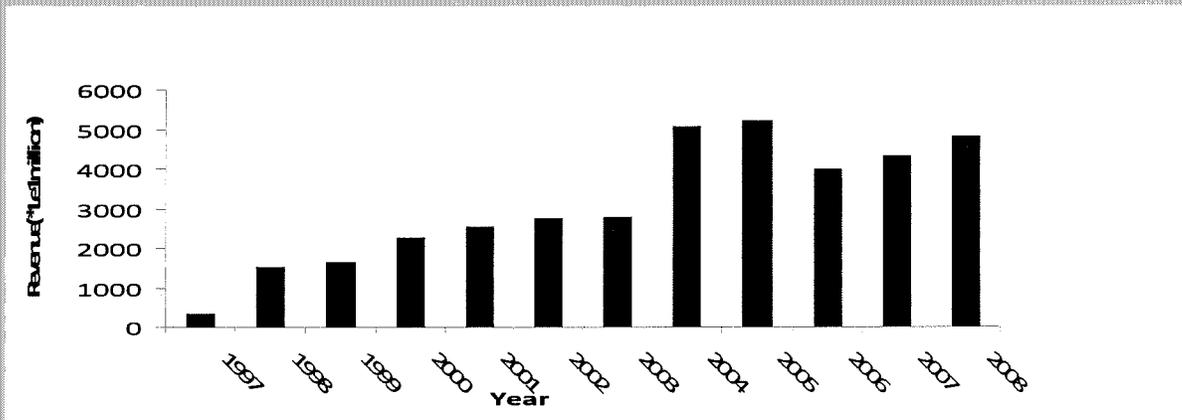
However, recent reports from artisanal fishermen raise concerns on the depletion of the coastal fishery resources, particularly in the Northern continental shelf areas of the country. This observation was also confirmed by marine stock assessments during the first quarter of 2008.

Figure 11: Potential Yields for the Sierra Leone Fishery



Note: the draft of the Survey vessel did not permit an assessment of shrimp biomass (Source: MFMR, 2008)

Figure 12: Sierra Leone Fisheries Revenue, 1997-2007



Source: MFMR, 2009

Estimates by the Ministry of Fisheries and Marine Resources (MFMR) underline that Sierra Leone currently loses the value of approx. US\$29 million per year due to illegal, unreported and unregulated fishing activities. This implies the urgent need for better Monitoring, Control and Surveillance (MCS) mechanisms in the country and the entire region.

All of this underlines also the need for an improved sector policy and respective legislations, as to ensure the sustainable management and development of the fisheries sector in Sierra Leone. There is also the need for reform with regards to fishing licences and concessions, which should be based on quota systems, in the future.

In order to increase its national revenue base and to stimulate economic development, Sierra Leone is committed to making the necessary investments to ensure that the current export ban for fishery products to European markets will be eventually lifted. Further to this, the Government will look into the possibility of negotiating a Fisheries Partnership Agreement with the EU.

Table 16: Economic Value of Sierra Leone Fish Resources

A. Standing stock biomass	
<i>Taxonomic Categories</i>	<i>Economic value (US\$ millions)</i>
Clupeids	49.9 – 73.6
Carangids including tuna	122.9 – 91.4
Demersal fish including shellfish	42.6 – 91.4
Balistes spp	56.0 – 90.0
Total	271.3 – 499.8
B. Potential Yields	
Small pelagics (clupeids and carangids)	40.6 - 69.6
Large pelagics (tunas, barracuda etc.)	12.3
Demersal fish	15.7 - 39.2
Shrimp	23.7
Cephalopods	0.5
Total	92.3 – 144.8

Source: Fisheries of Sierra Leone, 2003

6.2.4 STRATEGIES FOR THE FISHERIES SECTOR

To ensure that maximum benefit is derived from the sector, the Government will focus on:

- Providing adequate fisheries surveillance capability:** Inadequate fisheries surveillance mechanisms continue to undermine the potential contribution of the fisheries sub-sector to economic development and poverty reduction. Between 1997 and 2001, surveys of Sierra Leone territorial waters established levels of illegal fishing at 24% of 947 vessels. Sierra Leone therefore loses about US\$29 million to illegal fishing every year (Greenpeace, 2006). Licensed vessels also continue to leave Sierra Leone to fish in other countries, as a result of piracy. Government will seek support from development partners for the establishment of effective fisheries surveillance mechanisms to protect our waters from

poaching, piracy and other forms of illegal fishing. Government will also introduce community surveillance and accelerate the functioning of a Joint Maritime Authority.

- ***Facilitate the lifting of the export ban on fish exports to the EU market:*** The poor sanitary conditions in the processing of fish have led to the imposition of a ban on fish exports by the European Union. Fish produced in Sierra Leone is therefore exported through a third country, which adversely affects the export earnings from the sector, and discourages fishing vessels from obtaining licenses from Sierra Leone, thereby reducing the sector's employment-creating potential. Endeavours are under way to fulfil the sanitary requirements for accessing international markets including the EU, through establishing a laboratory testing centre for fish products, and improving sanitary conditions of fishing establishments. In addition, Government plans to enter into a Fishing Partnership Agreement with the European Union for the exploitation of offshore deepwater resources: small pelagics, tuna and shrimp.
- ***Improving the infrastructure and support services for commercial fishing:*** Sierra Leone lacks a fishing harbour to support commercial fishing activities. Therefore artisanal-landing jetties serve as fish receiving stations. Government will seek donor support for the construction of a fishing harbour to support commercial fishing activities. Landing jetties for artisanal fisher folk will be constructed and or rehabilitated.
- ***Providing adequate extension support for artisanal fisher folk:*** Government will develop inland fisheries and aquaculture through the provision of appropriate fishing gear, and training on seafood preservation, processing and packaging.
- ***Strengthening capacity in the ministry of marine resources:*** The Ministry of Marine Resources is characterized by a shortage of trained and qualified professional staff, inadequate MCS and lack of research facilities. Government will focus on strengthening the capacity of MFMR through the recruitment of trained and qualified professional staff, and provision of training opportunities for professional staff. In addition, Government will establish a training school for middle-level technical manpower in the industry. Government will also facilitate the development of an updated sector policy statement, which is to be based on actual marine stock assessments, leading to sustainable fishery management plans and adequate new sector legislation.
- ***Sustainable financing:*** Government renews its commitment to enter into negotiations for a Fishery Partnership Agreement (FPA) with the EU and/or with other appropriate export market outlets. Such a FPA should not only be seen as a means to increase the national revenue base, but also as an opportunity to secure sustainable financing for much needed investment for the mid and longer-term development of the Sierra Leonean fisheries sector.

7 SUSTAINING HUMAN DEVELOPMENT

While some progress was made in the implementation of the first PRSP, Sierra Leone continues to face huge challenges towards reducing poverty and meeting the Millennium Development Goals (MDGs). The adoption of the MDGs by the UN reinforced the conviction that a highly skilled and healthy society has greater chances of increasing household incomes and reducing poverty.

There is abundant empirical and theoretical justification to support the assertion that human resource accumulation is one of the main engines of economic growth and poverty reduction. Among the key determining factors of human resource accumulation are the level of educational attainment and the health status of the population. The government's effort to improve on the social indicators and well-being of citizens is determined by lessons learnt in the implementation of programmes in the first PRSP, together with assessment of current needs based on consultations with the population at large. Thus, the following areas have been prioritized for improvement in the social sector: education, health and HIV/AIDS, youth employment, and gender empowerment. This section will outline measures that will be undertaken in order to achieve visible results in these sectors.

7.1 EDUCATION

The Sierra Leone Integrated Household Study shows a clear and unambiguous linkage between education and poverty. In the 2005 Multi-Indicator Cluster Survey, the poorest quintile of the population has the least access to primary education as compared with the richest quintile in the country. The recent out-of-school-study¹⁹ suggests that most of the children who drop out of school are from poor families.

In July 2007, the Government of Sierra Leone launched the Education Sector Plan which outlined its mission to provide basic education of quality for all in a phased manner, starting with the realisation of the right of all children to quality primary education, whilst at the same time providing marketable skills training and the relevant and appropriate tertiary education needed for the advancement of the society and poverty reduction.

The Plan mapped out clear goals and priorities that will ensure that Sierra Leone meets the two education related MDGs. These priorities are summarized as follows:

- Achieving universal primary education and completion
- Improving the quality of education;
- Meeting our human resource needs through higher education, skills training and literacy;
- Providing early childhood care and pre-school opportunities for more children;
- Providing improved governance, planning, management and leadership (including capacity building at all levels).

¹⁹ The Out-of-school Study, 2008, Ministry of Education, Youth & Sport/UNICEF

7.1.1 PROGRESS AND ACHIEVEMENTS

- Access to formal education improved considerably over the years. Primary school enrolment increased from approximately 1,135,000 in 2003/2004 to 1,322,000 in 2006/2007, an increase of 16.5%.
- Gender parity in primary education has still not been achieved although progress towards it has been made. In 2003/2004 there were 618,747 boys compared with 516,068 girls enrolled in school (1.2:1). In 2006/2007, the comparable enrolment figures were 693,730 for boys and 628,508 for girls (1.1:1).
- To assist in enrolment and school attendance of pupils, school feeding and de-worming programmes were undertaken. Approximately 300,000 children were provided with meals at school, and more than double this number were de-wormed. Reducing the cost of education to parents by waiving tuition and examination fees has improved access.
- As of 2004, 7,421 teachers had received in-service training, and over 2,000 teachers had been enrolled in the distance education programme. Although the target of 75% passes at the national primary school examination was not achieved, there was an annual increase of passes over the period 2005-2007, partly explained by increased primary school enrolment. The percentage passes over this period were 72%, 73%, and 69% in 2005, 2006, and 2007 respectively. Of the total number of girls who took the examinations in 2006, 69.2% passed.
- Since 2004, 290 primary schools were constructed/rehabilitated by the Government and its partners. Over 1 million sets of core textbooks were supplied to primary schools.
- School Management Committees were established in all primary schools, and trained on their roles and responsibilities. As part of the implementation of the Local Government Act, basic education was devolved to local councils, thereby increasing community involvement in school management. Since the Education Act, 2004, 102 junior secondary schools have been established.
- The implementation of the Education Sector Plan started in 2007 and action plans including funding modalities have been developed.

7.1.2 CHALLENGES

Some 30%²⁰ of children of primary school-going age are still out of school. Many of those who eventually access schooling do not complete. Getting all children to access and finish schooling are phenomenal challenges which should be addressed effectively. Below are specific challenges faced by the education sector in providing universal access to primary education:

- Inadequate enforcement of the Education and Child Rights Acts
- Over-aged children still in schools thus clogging the system

²⁰ The Country Status Report for Sierra Leone, 2006; Population Census, 2004

- Inadequate and inappropriate schools to especially address special needs of many children
- Low primary school completion rates
- Poor internal efficiency of the system
- High repetition and drop-out rates
- Weak management information systems
- Weak management and delivery systems
- Poor accountability and transparency
- Sexual harassment and gross child abuse, exploitation and violence in schools
- Over crowded classrooms
- High pupil-teacher ratios in schools
- Shortage of teaching and learning material
- The curriculum not adequate to address the emerging issues in education
- Low human resource capacity at all levels (national, district, communities and schools)
- Hidden costs of education.

7.1.3 STRATEGIC PRIORITIES

Increasing access to and completion of primary schooling, especially for girls and out-of-school children

The Government of Sierra Leone has taken strides to ensure that all children, regardless of gender and physical condition, access quality primary schooling. These areas include free tuition, provision of per capita fee subsidies, provision of teaching and learning materials, adoption of the 2004 Education Act and 2007 Child Rights Act, and payment of the examination fees. Nevertheless, there are 30% of children of primary school-going age still out of school. Causes of non-attendance include hidden and indirect costs, cultural barriers to girl-child education, child labour, and lack of nearby schools²¹.

School feeding is one of the interventions that can be used to ensure retention and completion. Although efforts are being made by WFP in eight provincial districts, the programme only covers 300,000 primary school-going children. Thus, in the medium term, the Government will extend school feeding programmes to other schools in all districts. In addition take-home rations for girls will be promoted, as an incentive for increasing attendance. Schools located in the most vulnerable settlements would be targeted as a matter of priority. The extension of the School Feeding Programme for Sierra Leone will improve the health of the children and have a positive impact on access, retention and eventually the overall quality of education in the country. In response to the global food crisis, WFP is developing a programme that will provide food for 100,000 pupils in the Western Area.

²¹ The Out-of-school Study, 2008, Ministry of Education, Youth & Sport/UNICEF

Improving quality and relevance of primary education

The provision of teaching and learning materials of adequate quality is an issue that could not be dispensed with as we strive towards accomplishment of quality primary education. The provision of core text books at a 1:2 ratio is the aim of the Ministry of Education, Youth and Sport, but is yet to be realized nationwide. The intention is to provide books in sufficient quantities that children can read both at school and at home. It is noteworthy that in the Moyamba district, the core textbook-pupil ratio is 1:1. In order to address emerging issues and to update course materials to ensure quality and relevance of the content, the curriculum needs regular review.

Recognising and addressing violence against children in schools is vital in improving the present educational system in Sierra Leone. There are few reporting mechanisms or referral systems in place for victims of abuse and exploitation or harassment within the schools structure. A code of conduct for teachers and other education personnel and a reporting mechanism will be developed and enforced especially for sexual harassment of the girl child. These reporting mechanisms will be widely publicised. Alleged criminal acts committed by teachers and other education personnel, such as child abuse, sexual violence and other illegal activities will be referred to the appropriate authorities for legal action. The Government also intends to improve on the school environment for girls by enforcing the policy of providing separate toilet facilities for boys and girls.

Currently, the number of fully equipped and adequately furnished post-primary schools is inadequate. This problem will become worse as universal primary education and completion are successfully implemented. Schools are being constructed or rehabilitated by Government and its partners. The Ministry endeavours to ensure there are enough fully functional schools to meet increased demand. The quality of post-primary schools will also be improved by ensuring that adequate teaching and learning materials are provided in a timely manner. The Government will also provide library facilities for schools, and ensure that the curriculum meets the needs both of learners and society.

Education of high quality is essential for the achievement of poverty reduction. Trained and qualified teachers in schools have a crucial role to play in the provision of quality education. Currently, 40% of primary school teachers are untrained and unqualified²². Some secondary school teachers are academically qualified but lack professional training. Also, there is acute shortage of qualified and trained teachers in Mathematics, Science, English, French, Creative Practical Arts, Physical and Health Education, and Social Studies. This problem is compounded by the fact that most qualified teachers prefer working in urban areas, creating a paucity of qualified teachers in rural communities. In addition to the shortage of qualified teachers, there is gender imbalance in the teaching force (approximately 30% and 20% of primary and secondary teachers are female respectively).

Not much progress has been made in improving the qualified teacher/pupil ratio. It can be argued that as enrolment increases the number of teachers should increase, but the ceiling on recruitment of teachers prevents Government from recruiting more qualified teachers. However the Government has successfully concluded a teacher verification exercise, the result of which will allow for the review of the payroll.

²² Education Sector Plan, 2007, Ministry of Education, Youth & Sport

The working environment for teachers is not very attractive. The lack of staff quarters especially in rural communities is a disincentive for qualified teachers to seek employment in those localities. To ensure that teachers are paid on time and well enough to motivate them, terms and conditions of service for teachers will be improved and incentives provided for remote areas. Special recruitment drives for female teachers will be carried out to attract them into rural areas.

Improve capacity to effectively and efficiently deliver education

The Government of Sierra Leone prioritizes both institutional and individual capacity building. Capacity is needed at the central level so that appropriate policies are established and education programmes can be planned, coordinated and properly budgeted. Capacity is needed at the district level so that funds can be effectively utilised, monitored and evaluated. Capacity is needed at school level to ensure that schools are well managed, learning takes place and resources are used efficiently.

Priority areas for capacity building will include recruitment for vacant positions, training of Ministry of Education officials at national and district level for improved and increased monitoring and supervision; providing teacher guides and other reference materials, training on management skills and accountability. In recruitment of teachers, focus will be on increased admission into teacher training colleges while ensuring that teacher training is affordable. The policy on teacher recruitment will be reviewed. The distance education in-service programme will be expanded for unqualified primary teachers, so that they will have the opportunity to be trained in their communities.

Strengthen Education Management Information System (EMIS) and management of education records

Good quality data is essential for all the planned education priorities mentioned above. Although data exists from a variety of sources they are often inconsistent and of variable quality. Since reliable data is key to educational planning, monitoring and accounting functions, the Ministry prioritises the ongoing establishment of an EMIS Unit, which should organise the collection of credible and reliable data on all aspects of education, and be responsible for its analysis and dissemination. The training of inspectors and supervisors who in turn will pass on their knowledge to school heads and teachers is necessary. The Ministry sees monitoring, accounting and data collection as a responsibility of all stakeholders. The community can play an important role in monitoring school attendance, identifying out-of-school children and raising the alarm bell when necessary. In a decentralized system the districts will be expected to provide timely accurate information on the core education indicators.

7.2 HEALTHCARE

Health is a major component of the human development priority of the PRSP. Economic development is expected to improve the health status of the general population, but at the same time, better health contributes to economic development by increasing worker productivity and lengthening the expected working life of human beings. Better maternal health, child health, and

nutrition promote future productivity growth, by ensuring children have a better start to life to develop into healthier and more productive adults. Health care in Sierra Leone is provided by government institutions, faith-based organisations, NGOs, private clinics, and traditional healers. The health services run by the Government comprise:

- Peripheral Health Units (PHUs), variously categorised as community health centres, community health posts, and maternal and child health posts. PHUs are the first level of health delivery.
- District hospitals support the PHUs. They serve as referral points and manage more complicated clinical services that are outside the competency of the PHUs.
- The third level of service delivery is at the tertiary level, to support district hospitals and address conditions requiring specialised care.

Under the 2004 Decentralisation Act, District Councils now play a key role in the financing and management of district hospitals and PHUs. Most of the primary health care services have been devolved to them, requiring district health teams to only provide technical support.

Prior to PRSP-I, the quality of health service delivery had deteriorated, mainly due to the ravages of the ten-year civil war, and the chronic under-financing of the sector even after the war. As a result the Government was unable to provide adequate medical supplies, equipment or infrastructure for optimal basic health care services.

In an effort to improve the quality and provision of health care delivery, the Government prioritised interventions in the PRSP-I in 2004 focusing on the reduction of child and maternal mortality rates in the health sector. The specific areas of interventions were the revitalisation of health services for quality care and the rehabilitation and reconstruction of health facilities. Currently the introduction of an “Essential Health Care Package”, in the health care delivery system defines key interventions that the public health system should provide within the available resources. To ensure the sustainability and uptake of the health services, focus is put on the importance of community participation in the management of health services and coordination of donor support.

7.2.1 PROGRESS AND ACHIEVEMENTS

During implementation of PRSP-I, focus in curative care was put on rehabilitation and reconstruction of dilapidated facilities. By end of December 2007 some of the main curative care achievements included rehabilitation of 867 PHUs and three tertiary hospitals (Connaught, Princess Christian Maternity, and Ola Daring Children’s). Maternity wards/hospitals were also constructed in Kenema, Koinadugu and Kono. Quality control laboratories for pharmaceutical products were established at Jenner Wright clinic in Freetown and a Lassa fever laboratory constructed in Kenema. Construction of five district hospitals (Moyamba, Makeni, Kambia, Kailahun and Kono) was started and is ongoing. A reference HIV/Aids laboratory was constructed at Lakika in Western area.

Concerning service quality, training of health workers was prioritised. About 550 MCH Aides were trained to provide skilled delivery, immunisation, growth monitoring and promotion, and treatment of minor ailments. Twenty nurse-anaesthetists were trained and posted to hospitals; State Enrolled Community Health Nurses and Nurse Midwives were trained to provide basic emergency

obstetric care. In order to provide quality services at district hospitals, laboratory technicians and assistants were trained in basic laboratory techniques. Series of refresher trainings were also done for all categories of PHUs and district staff on different packages of health interventions. The table below summarises the progress and challenges in providing adequate human resources in health, including the gaps between numbers available and estimated needs at the end of 2008.

Table 17: Stock of Medical Personnel in the Ministry of Health and Sanitation

CADRE	1993	2003	2005	2006	2008	Gap
Medical Officers	203	73	67	75	78	222
Paediatricians	16	4	3	3	3	12
Dentists	15	4	3	3	3	12
Obstetricians and gynaecologists	23	6	8	7	8	8
Public Health Specialist	58	30	19	22	24	9
Surgeons	13	7	6	8	5	22
Specialist Physicians	5	6	1	5	4	23
Midwives	132	111	98	87	30	113
State Registered Nurses	625	266	184	202	355	375

Source: MOH/HRH 2008

In the area of health promotion and prevention, progress was made in a number of areas despite the challenges. Childhood immunisation showed great signs of improvement; immunisation coverage for infants against DPT3 rose from 56% in 2004 to 64% in 2007. Similarly, measles immunisation coverage rose from 62% in 2000 to 76% in 2007. During implementation of PRSP-I, new vaccines like pentavalent and yellow fever were introduced in the health system. Following the solarisation of the cold chain and the training of staff on cold chain management, vaccine potency in PHUs has greatly improved in the EPI programme.

Malnutrition is one of the major causes of infant and under-five mortality and morbidity in Sierra Leone. According to several studies it accounts for about 46% of under-five mortality. The 2005 MICS estimated that 31% of under-fives were underweight, 40% stunted and 9% wasted. The rapid assessment survey conducted in 2007 by the Ministry of Health and Sanitation indicated 25% were underweight, 29% stunted and 9% wasted, signifying possible improvement. High Vitamin A coverage among under fives and deworming was continued through integrated campaigns maintaining coverage of over 80%.

Malaria remains the commonest cause of illness and death in the country. Over 35% of children under five had malaria in the last two weeks of the 2005 MICS-3. This is another area where commendable progress was made to address the problem. In the area of prevention, about 1.5 million insecticide-treated bed nets (ITNs) were distributed to under-fives and pregnant women in 2006. The most recent survey undertaken in 2007 shows that 56% of under-fives and 48% of pregnant women slept under ITNs. To stem drug resistance, the programme introduced ACT in the PHUs. Whilst less than 2% of under-fives received the drug within 24 hours in 2005, by March 2007, 12% received prompt and appropriate treatment for malaria at PHUs. From 2005 to 2007 pregnant women receiving a second dose of Intermittent Preventive Treatment (IPT) rose from zero to 42%.

There was marked improvement in the HIV/AIDS programme implementation. By the end of 2005 there were only 20 VCCT sites in the country but by the end of 2007 a total of 82 sites had been established. With regard to Prevent-Mother-to-Child-Transmission (PMTCT) sites, there were only 18 nationwide in 2005, but by the end of 2007 PMTCT sites had increased to 163. The prevalence among women attending antenatal clinics had risen from 3.5% in 2005 to 4.4% in 2007. Service delivery points that provide STI services according to national guidelines were 765 in 2005. By end of 2007, STI services had increased to 850. Furthermore by 2007, the number of people receiving anti-retroviral treatment had increased to 2,649 and condom distribution stood at 950,000.

Little progress was made in the area of water supply and sanitation. Coverage remained at 47% for water and 30% for sanitation. The situation is worse in rural areas as compared to urban communities: rural communities had 32% clean water coverage, compared to 84% for urban communities. Similarly, sanitation coverage in rural areas was 17%, compared to 64% for urban communities. Access to water and sanitation facilities varies considerably between the rich and poorest segments of society; water access for the poorest is 11% compared to 91% for the richest. Access to sanitation also shows similar trends: 1% versus 79%, for the poorest and richest respectively.

Financing health care remains a big challenge in Sierra Leone; the MOHS and development partners commissioned a review of policy options in 2007. Health care costs remain very high in Sierra Leone leading to poor utilization (on average 0.5 visits per person per year). Out of pocket expenses remain among the highest in Africa (about 70% of people attending clinics pay from their own resources), while most of the population remains below the poverty line. The review established that even modest charges tended to exclude over 50% of the population from seeking health care, and exemption systems in current use do not seem to work. Based on analysis of 50 developing countries, the health financing group recommends that Government increase its per capita expenditure on Health to US\$15, and also reverse its declining per-capita expenditure on health. Implementation of free health care in all PHUs and district hospitals is recommended as the practical policy option that will address the health of the poor majority. In this regard, investment in improving the quality of services is critical.

7.2.2 CHALLENGES

The provision of quality health care that especially addresses the needs of vulnerable groups in the country faces the following challenges:

- Limited geographical access because of inadequate numbers and inequitable distribution of facilities;
- Limited financial access since over 70% of the population are under the poverty line and payment for services is mainly out of pocket;
- Inadequate access to free health care for vulnerable population;
- Limited availability of high impact and cost effective interventions;
- Inadequate transport and referral services;
- Chronic shortages of drugs, equipment and essential supplies and logistics;

- Inadequate participation of communities in health care delivery;
- Weak coordination and communication among programmes and partners;
- Inadequate support and supervision at all levels;
- Shortage of critical health professionals, especially midwives and medical officers;
- Low staff remuneration and weak personnel management resulting in low motivation and morale;
- Non-communicable diseases and mental health are becoming emerging priority problems.

7.2.3 STRATEGIC PRIORITIES

In view of the foregoing situation and challenges confronting the provision of quality health services in the country, the goal is to contribute to health improvement and subsequent poverty reduction in the country through the following priorities:

- ***Provision Of Integrated Reproductive and Child Health Services*** - To address the unacceptable high child and maternal mortality and morbidity in Sierra Leone, the current strategy is designed to address both reproductive and child health issues, taking into account an integrated approach and continuum of care. The programme will include a holistic approach to service delivery that includes family planning to address problems of teenage pregnancies and child marriage, essential and emergency obstetric care including prenatal, delivery and post natal services, integrated management of neonatal and childhood illnesses, preventive services including immunisation and school health.
- ***Nutrition*** - Good maternal and childhood nutrition is designed to contribute to the reduction of under-five morbidity and mortality. Nutritional services will focus on promotion of early and exclusive breastfeeding, infant and young child feeding, promotion of local salt iodation, provision and distribution of micro-nutrients to both pregnant women and children, and periodic provision of de-worming treatment. Community identification and management of acute malnutrition will be strengthened. Where appropriate, communities will be sensitised to identify and refer severe cases of malnutrition for proper management at the health facilities.
- ***Malaria Control*** - In recognition of the fact that malaria is the most common cause of illness and death, especially of children, emphasis will be placed on preventive services which include provision of ITNs, IPTs, and promotion of environmental sanitation. For curative services, access to prompt ACT and quinine treatment will be guaranteed.
- ***STIs/HIV/AIDS and Tuberculosis*** - Whilst the prevalence of HIV remains low (at 1.5%), existing conditions could contribute to the population becoming more vulnerable and at risk of increasing transmission of infection. The focus therefore will be on prevention of new infections including treatment of sexually transmitted infections, condom promotion and distribution, VCCT and PMTCT. Care, treatment and support will also be provided to people living with HIV/AIDS, including orphans and vulnerable children.
- ***Non-Communicable Diseases and Mental Health*** - There is a noticeable increase in conditions affecting the health of a larger segment of the population including

hypertension, diabetes, cancers and sickle cell anaemia. These are high risk conditions especially in pregnancy. Screening services will be provided at the health facilities for the identification of these conditions through appropriate training of staff and provision of screening tools. Free treatment will be provided to the vulnerable groups including under-five children. Recent surveys are showing increasing incidences of mental health problems, especially among youth. This is generally attributed to post-war effects and substance abuse. There is gross understaffing in mental health; there is only one specialist in the country and health staff even at the PHUs are not trained to deal with these cases. In the short term, consultant trainers will be recruited to provide middle-level training of staff. Community based rehabilitation services will be provided or strengthened.

- ***Water, Sanitation and Hygiene Promotion*** - Safe water and sanitation to communities is considered crucial for healthy living. The prevention of diarrhoeal diseases is dependent on access to safe sanitation facilities and the use of safe drinking water. Mothers and caretakers of children will be sensitised on the importance of general hygiene practices including hand washing with soap at critical times (before eating, during food preparation, after using the toilet and after handling stools of children). Scaling up and promotion of the Community Led Total Sanitation programme will be prioritised, as will improving household storage and treatment of drinking water using affordable and appropriate technologies.
- ***Provision of Infrastructure for Primary, Secondary and Tertiary Institutions*** - A well-designed physical infrastructure of health facilities enhances the provision of quality services. Even though many facilities have been rehabilitated, this process is ongoing. In many districts geographical access to health facilities is still a major challenge. There is need for adequate provision of essential supplies, drugs, health equipment, water and electricity to provide quality services and referrals. The supply chain management remains extremely weak. More resources will be required to rehabilitate, construct and expand infrastructure at the various levels to provide the basic package of services, and to strengthen the supply chain.
- ***Human Resource Development and Management*** - Human resource development and management is the kingpin to quality health care provision. The current number of trained and qualified health and medical personnel is inadequate to address the health needs of the population. There is a high attrition rate of staff due to poor conditions of service, including very low packages of remuneration and other appropriate benefits, which does not encourage prompt and quality service. There is an urgent need to train and recruit essential staff, especially midwives, to provide reproductive health services
- ***Strengthening Health System Financing*** - The financing of healthcare remains a big challenge in Sierra Leone. The high out-of-pocket expenses on health is a contributing factor to poor utilization of health services, as most of the population is under the poverty line. To address this issue, the Government will set up a National Social Health Insurance Scheme that will ensure access and affordability of quality health care service to all Sierra Leoneans. The financing of such a scheme is a key challenge to the Government.
- ***Development of Information management system*** - The present status of health information management system is not efficient to provide timely and accurate data for informed decision making. Staff are not adequately trained, there is no coordination and harmonisation of health information tools in the health institutions. There is a dearth of

information on logistic and supply chain management. Therefore there is need to develop a reliable management information system capable of providing evidence to planners and policy makers on the provision of quality health services in the country, and monitoring PRSP health outcomes.

7.3 WATER AND SANITATION

7.3.1 OVERVIEW

Despite Sierra Leone's favourable climate, high rainfall, good natural vegetation, and numerous rivers and creeks, harnessing water resources is a serious challenge, making access to basic water and sanitation facilities for the majority of Sierra Leoneans extremely limited. This is compounded by the limited functional infrastructure for water supply as well as the exponential increase in population in Freetown and provincial cities over the past decade as a result of civil conflict. During the drinking water decade in the 1980s, numerous external support agencies assisted the government to provide safe drinking water in the country. These agencies include UNDP, EU, JICA, UNICEF, WHO, WaterAid, ActionAid, CARE and PLAN. However, the ten-year civil war essentially reversed these efforts as most installations, particularly those in the provinces, were damaged beyond repair. It has also been revealed, including from the Truth and Reconciliation Commission, that corpses were dumped into some of the water wells. Consequently, less than 50 percent of the population in the Western Area, and less than 32 percent of the rural population, have access to reliable water supply.

The consequence of the acute water supply situation is that people develop extremely unhealthy and burdensome coping mechanisms, such as fetching water from inappropriate sources including unprotected surface water and wells. Water from these sources is neither treated nor is its quality monitored. The result is a high presence of E-coli, faecal coliforms and other pathogens unfit for human consumption. Drinking water with a high presence of pathogens results in ill health. In addition, fetching water from far away sources is a burden to women and children, who normally carry this responsibility. For the children in particular, their increasing deployment for fetching water seriously undermines their fragile health and education prospects, while for the women, it reduces farm productivity and other income generating performance levels.

Sierra Leone is blessed as most of its towns and villages are located by rivers or streams. One of the major constraints is the lack of adequate financing to exploit these natural water sources and to provide energy and chemicals to transport and clean the water to be fit and available for human consumption. Another constraint is the non availability of qualified manpower that could be recruited and retained.

7.3.2 POLICY OBJECTIVE

Government's overarching aim in the long term is to make available bulk potable safe water to as many people as possible, targeting high population density areas, such as urban, peri-urban and large villages. Pipe borne water supply will be the preference.

To achieve the above, the Government prioritises, in the short to medium term, increasing access to safe water both in the western area and selected large provincial settlements including district headquarter towns. In addition, the Government will ensure that all catchment areas are properly demarcated and protected.

The significance of water in the fight against poverty necessitates the need for effective and efficient management of the resource. As a first step to achieving this goal, a Water and Sanitation Policy has been developed with the following objectives:

- To develop a comprehensive framework for management of water resources and sustainable development of water supply and sanitation services within an effective legal and institutional framework.
- To address cross-sectoral interests in water resources through integrated and participatory approaches in the planning, development and management of the water resources.
- To improve the provision of sustainable safe water supplies and sanitation facilities in urban and rural areas through a coordinated approach.
- To ensure stakeholders participate in the management of water resources and in the planning, construction, ownership, operation and maintenance of community-based domestic water supply schemes in rural areas.
- To put in place implementation strategies for sustainable development and management of water resources, including gradually changing the Government role from a major service provider to those of coordinator, and policy and guideline formulator.
- Promotion and scaling up of the Community Led Total Sanitation concept and promotion of the Open Defecation-Free communities concept.

Against this background, the Government objective is to ensure increased access to basic water and sanitation services, within an integrated and effective management framework. The Government will address water issues in phases: (a) Emergency, (b) Short to Medium term; and (c) Long term.

7.3.3 EMERGENCY TO SHORT-TERM STRATEGIES

In the immediate to short terms, the Government will focus on increasing access to safe drinking water in Freetown and its environs, the district head quarter towns and large provincial settlements.

- **Improving access to water in the western area** - Water from the Guma Treatment Works is supplied to communities in Freetown and its immediate environs through two transmission pipes. These pipes run through the peninsular road to the Spur Road reservoir, which was designed as a holding facility for distribution in the city including to subsidiary reservoirs at Tower Hill, Dan Street and Wellington. Unfortunately, the Spur Road reservoir has functioned only on one transmission pipe (550mm diameter) and therefore receives only about 30% of its capacity, making it difficult to supply water and to transmit water to other reservoirs in the city. Additionally there are 10 off-takes along this pipeline for distribution to coastal villages up to Lumley. Overall, although Guma is currently producing an estimated 16.5 million gallons a day, it cannot meet the current daily demand in Freetown, which is estimated at 30-35 million gallons. This has led to a

situation where residents without water supply frequently cut water pipes running through their locality creating significant wastage in the system. In densely populated areas, there is inadequate safe drinking water, leading to rising water borne diseases.

Furthermore, given the age and out-datedness of a substantial part of the current water supply network, there are significant leakages in most of the pipelines, leading to an estimated infrastructure loss of 4 million gallons a day. To complement Guma's capacity, a number of potential water sources have been identified for increasing water availability and supply in the western area within a reasonable period. These include enhancing borehole water systems (including well-fields) and minor water schemes.

- **Improving Access to Water in Provincial Headquarters Towns & Large Settlements -** There are four major water supply sources in the provinces: rivers, streams, ground and springs. Although 42 water schemes were installed in various parts of the country, most of the facilities are dysfunctional and the population in the various settlements has also outgrown the systems. Consequently, the supply capacity is far below the current demand. The project will aim to develop these sources into sustainable water supply schemes thereby providing improved access to adequate and safe water. However, because of limited resources and the severity of the water situation especially in those settlements with high security risk, the Government will focus on increasing access to water in all district head quarter towns and selected large rural settlements.
- **Demarcation and Protection of Water Catchment Areas -** The Western Area peninsular receives some of the highest rainfall in sub-Saharan Africa. The exponential growth in population of Freetown in recent times, coupled with the massive and uncontrolled deforestation and expansion of settlements on the ecologically fragile slopes of the peninsular mountains, has had a negative and devastating impact on harvesting water to supply Freetown and its environs. The holding capacities of the existing reservoirs at Mile 13, Congo and Sugar Loaf fall far below the estimated 35 million gallons a day demand for water in Freetown. The situation is further compounded by erratic rainfall and siltation thus causing huge problems both in terms of quantity and quality of water discharge at the dams.

Improvements in the water supply situation thus necessitate the demarcation and protection of catchment areas of the existing dams and of the catchments of the proposed gravity schemes. This project will survey, demarcate, manage and protect catchment areas around the peninsular. It will not only guarantee sustained availability of safe and clean drinking water to the western area, but also restore the hitherto pristine nature of the Freetown peninsular.

7.3.4 MEDIUM TO LONG TERM STRATEGIES

The challenges in water supply and sanitation service delivery in the country are enormous. The 4-year life span of Sierra Leone's second PRSP is not likely to meet all the demand in the sector, but is expected to lay the foundation for future interventions. All of the towns in the country need to considerably improve their water supply and sanitation facilities. Considerable efforts would be made to mobilize resources, and to develop programs towards rehabilitation, reconstruction or expansion of water supply and sanitation facilities in various small and urban towns. In the

medium to long term, the Government will focus on increasing the volume of water supplied nationwide, as well as reforming the sector to address structural issues that inhibit effective sector management. This will focus on the following:

- ***Improving Access to Water in District Headquarter Towns*** - The Government will rehabilitate and operationalise existing water schemes in all 12 district headquarter towns. The intake works and distribution networks will have scope reserved for future expansion as additional funding becomes available. In addition, the Government will provide water bowsers for each of the district head quarter towns.
- ***Improving Access to Water in Large Provincial Settlements*** - The Government will construct weirs, gravity systems, bore holes and well-fields in the following communities: Mile 91, Blama, Segbwema, Lunsar, Masiaka, Waterloo, Matru Jong, Njala, Tongo, and Kamakwie. This will significantly increase access to safe drinking water in these communities, reducing infant and child mortality as the use of unsafe water will be drastically reduced.
- ***Construction of Orogu Dam*** - The construction of another dam at Orogu, providing a capacity that is twice Guma, will give a more sustainable supply for the western area for residential, commercial, industrial and agricultural use. The Orogu catchment area is by far the most significant new resource available for Freetown. The existing project document²³ Orogu recommends a two stage rock fill dam, with usable storage capacities of 14,500 million litres and 36,000 million litres for first and second stages respectively. The stage one dam is capable of yielding around 75Ml/d. The Orogu dam has high water resource value with low operation and maintenance costs meaning high reliability. Being at a lower elevation, there are benefits arising from pressure zoning, and some security of supply benefits by providing a bulk transfer system through Freetown.

To address structural issues and promote effective management in the sector, the Government will focus on:

- ***Integrated Water Resources Management*** - It will promote and support an integrated water resources management approach through developing concepts, principles and tools that will ensure greater benefits in water resources utilization. Capacity will be developed to support effective co-ordination and collaboration amongst stakeholders. Focus will be on activities that will support an efficient, sustainable water resources information management system.
- ***Water Resources Mapping for Sierra Leone*** - Sierra Leone lacks sufficient scientific knowledge of its water resources base. Accordingly, assessment of and planning for optimal use of water resources continues to be severely constrained. Steps will be undertaken to determine the country's overall water resources, both surface and groundwater, and for systematic monitoring of their utilization and quality.
- ***Establishment of a National Water Resources Management Board***²⁴ - In line with the country's Water Supply and Sanitation Policy, Government will establish a National Water Resources Management Board (NWRB) with functions ranging from water resources exploration, water resources assessment both in quantity and quality, monitoring and evaluation, water allocation, pollution control, and other cross-sector activities such as

²³ The project document was prepared by COMPLANT Ltd of China in 2007

²⁴ Recommendations from Draft Water Supply and Sanitation Policy, Jan 2008

catchments management, planning and development. In collaboration with neighbouring countries Guinea and Liberia, the NWRB will explore river basin projects for trans-boundary water resource use, including technical collaboration on research, data collection and planning of the utilization of trans-boundary water resources.

- ***Establishment of a Utility Regulator***²⁵ - In line with Government's new Water Supply and Sanitation Policy, a regulator for the sector would be established to regulate water and sewerage services. It would support and protect the interest of consumers; protect the financial viability of efficient water supply entities; promote the availability of regulated services to all consumers including low income and disadvantaged consumers; enhance public knowledge, awareness and understanding of the regulated services in the sector; establish standards for water supply services; regulate rates and charges for the services; and monitor the performance of regulated entities in relation to investments, quality and quantity of services, cost of services and efficiencies of production and distribution.

7.4 SOCIAL PROTECTION

A national policy objective on Social Protection (SP) is absent in Sierra Leone. As a result, there is lack of a clear and coordinated national approach to social protection. Equally so, the SP role in poverty reduction, promoting equity of access to social services, reducing discrimination, strengthening capacity of vulnerable groups in managing risk, promoting social cohesion and stimulating growth has been largely latent (not highlighted in previous PRSP).

Generally, Social Protection involves providing Social Insurance and Social Assistance to a country's population using various instruments. Social Insurance is the contributory part of SP, which requires beneficiaries to contribute a proportion of their earnings to the scheme, while Social Assistance is the non-contributory aspect of SP: beneficiaries do not contribute to the proceeds. Social Protection, Health, Education and other social service interventions make up a nation's social policy.

Annual budgetary allocation to SP is estimated at less than 1% of GDP, which is relatively low compared to other sectors. When this picture is juxtaposed on the poverty profile of Sierra Leone, the need for greater focus on SP becomes very apparent.

7.4.1 EXISTING EFFORTS

SP is provided by governmental and non-governmental organisations in varying areas. The Government of Sierra Leone has put together a number of initiatives geared towards providing SP and alleviating poverty especially amongst the vulnerable groups. The most prominent of these include the Social Security and Pension Scheme implemented by the National Social Security and Insurance Trust (NASSIT), and Pro-poor Social Action Projects implemented by the National Commission for Social Action (NaCSA).

²⁵ Recommendations from Draft Water Supply and Sanitation Policy, Jan 2008

The Social Insurance Trust (managed by NASSIT) operates a contributory scheme that caters for the security of contributors at old age or in the case of disability. It mainly attracts people in formal employment in both the public and private sectors.

Through NaCSA's operations, a significant number of community social and economic infrastructures have been provided and temporary employment created, especially in the rural, peri-urban and slum settlements of the urban areas. More recently, some focus has been re-directed to productive assets and economic empowerment activities aimed at addressing poverty amongst the extreme poor at the individual and household levels.

Other governmental interventions include safety-nets such as tuition-free primary education and support to the girl-child pioneered by the Ministry of Education, and cash transfer to the elderly managed by the Ministry of Labour and Employment. Other initiatives are being delivered by NGOs and the UN, mainly in the health and education sectors. These initiatives include:

- School Feeding Programme sponsored by World Food Programme and other food pipeline agencies (Catholic Relief Services and World Vision);
- Provision of school materials by UNICEF in collaboration with the Ministry of Education;
- Support to the disabled through the provision of prosthetics, housing and skills training for gainful employment.

However, safety net interventions in Sierra Leone are fragmented, with weak institutional arrangements for delivery and coordination. Due to the lack of synergy from weak coordination, there is a paucity of empirical evidence of the impact of social safety net schemes. Also, the overall investment in such schemes is hard to determine.

Government has also commenced implementation of a reparation programme for amputees, the war wounded and the sexually assaulted during the war. Benefits range from individual to group and community interventions, which also cater for children of victims.

In addition to the above efforts, Government through Parliament has enacted the Child Rights Act and the Gender Bill to provide the legal foundation for ensuring the protection and elimination of discrimination and exclusion of children and women.

7.4.2 WAY FORWARD

Given the status of Social Protection in Sierra Leone vis-à-vis the country's poverty profile, Government will build on existing efforts and broaden the prospects for reducing risks, vulnerability, exclusion and discrimination and hunger for those who are unable to provide for themselves; seek to prevent households from being devastated by shocks, and increasing opportunities for vulnerable groups to lift themselves out of poverty. SP will adopt the following approaches:

- **Protection** - This will focus on Social Assistance including a broad range of actions such as cash transfers, food aid, affordable health charges, child protection services and responses to life threatening emergencies to enhance coping mechanisms of vulnerable groups including amputees and the war-wounded.

- **Prevention** - This will focus on Social Insurance schemes such as pension systems, health insurance, unemployment benefits, and services to support communities and other subsidised risk-mitigation mechanisms to prevent deprivation or destitution.
- **Promotion** - This will focus on livelihood and productivity enhancing interventions, such as conditional cash transfers, public works, and school feeding programs in order to reduce susceptibility to social risks. Micro and area-based schemes such as community-driven-development initiatives at community level will be part of this approach.
- **Transformative** - This will focus on promoting the formulation of policies and the enactment of legislations and regulations such as the development of an evidence-based policy on Social Protection, statutory minimum wage, maternity benefits, inheritance rights, anti discrimination legislation, anti stigma campaigns, anti-corruption legislation, policies on fee-free education, and regulations on safe classroom environments (to avoid exclusion of vulnerable children and girls).

7.5 GENDER

Gender determines what is expected, allowed and valued in a woman or a man in a given context. Women have experienced political oppression and are greatly affected by laws and customs having to do with sexuality, marriage, divorce, child custody, and family life as a whole. Often, through patriarchal and traditional practices, women, especially young women, become vulnerable to teenage pregnancy, child marriage, sexual harassment in school by peers and teachers, in the workplace by male co-workers, to HIV/Aids, other STIs and sexual and gender-based violence.

The main goal of the MDG3 is to eliminate gender disparity at all levels, with specific focus on the following: secondary education for girls; sexual and reproductive health and rights; time-saving infrastructure for women; effective property and inheritance rights for women; formal employment and equal employment opportunities; participation and representation of women in politics and public administration; and stopping violence against women.

Education - There is a commitment by Government to ensuring that education is accessible to every child, that it is of high quality, and that it provides the knowledge and skills that children and young people need to secure their future. Such efforts can be seen through the *Sababu* project, which in part aims to meet MDG2 – ensuring that all boys and girls are able to complete a full course of primary schooling. A gendered approach with special focus on the girl child has also made this goal achievable, though much still needs to be done to make schools safe for girls. The Out-of-School-Children in Sierra Leone study shows that sexual harassment and abuse in schools by teachers and peers is a reason for girls to drop out or be taken out of school by their parents.

Sexual and Reproductive Health and Rights - Sierra Leone struggles to meet the reproductive and health needs of its people. Considerable progress has been made in bringing healthcare closer to the people through the construction of at least one healthcare centre in each of the chiefdoms in the country. However, even though 81% of pregnant women surveyed by the MICS3 said they had received care from a skilled health professional (doctor, nurse, or midwife), and 43% said they had given birth with the assistance of a skilled professional, Sierra Leone has the worst maternal and child morbidity and mortality indicators worldwide: 457 maternal deaths per 100,000 live births.

Effective Property and Inheritance Rights - Women in Sierra Leone had for a long time been, and in many instances continue to be, oppressed and marginalized by customary, constitutional and religious laws that relegate them to second-class citizenship in the acquisition and inheritance of property. The Intestate Succession Act of 2005, which came into law in 2007 and provides for intestate succession and other inheritance related matters, if used effectively, could be a tool for rectifying the injustices meted on women by past property and inheritance laws.

Participation and Representation in Politics/Public Institutions - One of the most salient political issues in contemporary Sierra Leone has been women's participation in politics and the public sphere. Women's groups continue to draw attention to the fact that even though women constitute over 50% of the population, they continue to be grossly under-represented in elective and appointed offices. Between 2002-2007, women constituted 14.5% of people in parliament, 14.3% in cabinet positions, 9.6% in top civil service positions and 13.3% in ambassadorial positions.

Violence against Women - Violence may take the form of emotional, psychological, physical, sexual, or economic abuse and is defined as one person in an intimate relationship using any means to control the other. The Domestic Violence Act 2005 which came into law in 2007 has led to the criminalization of domestic violence and other forms of gender-based violence. If used effectively, it can help deter the practice Violence against Women.

In response to these challenges, the Government will:

- Introduce a temporary affirmative action plan that stipulates a 30% quota for women in elective and appointed positions as recommended by the Beijing Platform for Action and the Truth and Reconciliation Commission.
- Mainstream gender and establish mechanisms and tools for monitoring and assessing the impact of gender policies, projects, plans, and programs on beneficiaries.
- Set up an Independent Gender Commission to promote gender equitable development, undertake focused, evidence-based, action-oriented research and advocacy.
- Review all laws, customs, rituals and practices that contribute to the subordination of women in society.
- Domesticate CEDAW – the Convention on the Elimination of all forms of Discrimination Against Women – into Sierra Leonean law.
- Devise a national action plan for the implementation of the three Gender laws.
- Implement the roll out plan of the Child Rights Act, which includes 18 years of age as the minimum age for marriage.
- A separate law on Gender Based Violence should be enacted and a national agenda/strategy formulated.
- Increase micro-credit facilities for women, and provide training in budgetary and implementation matters.
- Build the capacity of women through education, training and access to capital.

7.6 PROMOTING EMPLOYMENT

Macroeconomic and financial policies, investment policies and business climate, trade policies, and labour mobility are all key factors that influence market expansion, effective aggregate demand, as well as the corresponding dynamism of the private sector, and its propensity to create more and decent jobs. Therefore, to achieve an employment-intensive growth requires a policy mix that promotes and enhances growth and investment in productive sectors under conditions of monetary and fiscal stability. In the light of the above, promoting employment requires ensuring strength in the following:

- Flexible macroeconomic policy regime, with access to credit for productive investment;
- Financial sector structure and policies;
- Budgetary policy and public investment;
- Investment policies and business climate;
- Trade policy;
- Capacity building in Policy Analysis and Advocacy.

These issues have been adequately addressed in Part Three. However, there is need to complement the policy mix identified above with specific programmes and related activities as outlined below:

7.6.1 STRENGTHENING ACTIVE LABOUR MARKET POLICIES AND INSTITUTIONAL REFORMS

Labour market policies and institutions play a crucial role in matching the supply and demand sides of the labour market. Active labour market policies will create the enabling environment for active job search, training for the unemployed, temporary job creation and enterprise creation scheme to address inequities and rationalization of the labour market. In addition, timely, reliable and detailed data on the skills profile of the work force or new entrants in the labour market on the supply side, and the type of skills and competencies required on the demand side, are critical for optimal utilization of the country's human resources.

As Sierra Leone has a dearth of timely and reliable data on the work force, it is difficult to properly plan future needs and provide training and skills development to meet demand. The Government is therefore going to focus on:

- Timely conducted surveys (household, living standards, labour force, etc. etc) on generally agreed upon survey tools, such as content of questionnaires, methodology of surveys and yardstick for analysis;
- Ensure the collection and dissemination of gender and age disaggregated employment statistics and other labour market information needs;
- Establish a Labour Market Information System in the Ministry of Employment and Social Security to monitor the regular collection, analysis and appropriate dissemination of required information;

- Formulation of a National Employment Policy that will form the basis for the effective regulation of labour laws which should be revised to meet international standards.

The above activities will be complemented with structural reforms of the Ministry of Employment and Social Security and other relevant institutions in the area of labour administration. Legislations will be passed to harmonize national labour laws with international labour standards. Also, employment service centres will be established nationwide.

7.6.2 ESTABLISHMENT OF A NATIONAL ENTERPRISE AND SKILLS DEVELOPMENT AND TRAINING FUND

As skills and employability are critical for individuals and the labour force and define their competencies and capacity to take a job and/or create wealth, and adapt to the changes in the labour market dictated by technology and globalisation, investing in knowledge and skills is one of the most effective means of enhancing the employability of the poor to participate in growth and create wealth. The Sierra Leone Enterprise and Skills Development and Training Fund (SLETFUND) is proposed to complement current efforts as well as address the need to effectively link the provisioning and acquisition of skills and training to the availability and/ access of financial resources for self-employment and creation of enterprises. The SLETFUND will:

- Promote decent employment through entrepreneurship and development of Micro, Small and Medium-sized Enterprises (MSMEs) in the formal and informal economy;
- Promote employability by improving knowledge and skills in vocational/technical institutions linking these with the requirements of the labour market;
- Promote equity and gender equality in access to financial resources (grants/credit/loans) and services to target beneficiaries: women, youths, the disabled and other vulnerable groups;
- Promote the capitalization of MSMEs and start-up of community businesses;
- Support the formulation and implementation of the SME Policy.

The SLETFUND is also intended to promote and strengthen employability by improving knowledge and skills and providing equal access to financial services to employ the knowledge and skills acquired for creation of job opportunities. Specifically, the SLETFUND will be used to support:

- Vocational training policy review and development
- Improve management of training institutions and systems
- Investing in entrepreneurship/business management training
- Development of core work skills
- Workplace learning and the on-the-job training schemes
- Apprenticeship
- Improving training delivery through ICTs
- Improving the capacity to innovate

- Improving access to ICT to reduce the skills gap
- Reform of employment service agencies, career guidance and counselling.

7.6.3 YOUTH EMPLOYMENT AND EMPOWERMENT

Sierra Leone has a young population. According to the 2004 Census, young people between the ages of 15 and 35 make up 33.3% of the total population. Those between the ages of 0 and 35 years constitute 79% of the total population. About 70% of youths are unemployed; 53% illiterate; and the majority reside in urban areas. Youth constitutes a vital component of the country's human resource base, and is therefore central to any employment promotion strategy.

Youth employment is visible in agricultural activities, in the ballooned informal sector and among the self-employed. Agricultural activities represent 70% of employment, with similar levels for youth and adults. Many youth, especially males, do not want to become farmers due to low returns through labour intensive methods. Consequently, large numbers of young people are engaged in self-employment in petty trading, carpentry, masonry, gara-tie dying and diamond mining. Most young people lack the necessary skills to operate a viable enterprise.

Public perceptions of youth act as a barrier to youth employment. Thus youths have been characterised as lazy, undisciplined, unskilled, and unreliable. Youths have fewer opportunities for salaried employment compared with those older than thirty-five; and formal employment opportunities are significantly lower for youths regardless of their qualification. Public sector employment opportunities tend to exclude young people on the basis of age and experience. The desire to change jobs is highest among the 25-35 year olds who always look for improved employment opportunities.

As outlined in previous sections, the private sector has limited capacity to provide employment facilities for youths. Youth unemployment is therefore particularly visible in Freetown and other urban centres where the war attracted large numbers of young people. In these towns, city life in the peri-urban areas has become a nightmare of poverty, misery, despondency, and unfulfilled dreams. Informality, criminality and marginality characterised the majority of youth in the urban areas.

The major challenge is to promote the overall development of young people through the establishment of youth empowerment initiatives. This will lead to their incorporation into government planning, policies, and legislations. Government legislation of youth-friendly initiatives would provide an enabling context for the development of youth structures that would foster representation. This will improve youth participation in national initiatives and development of a responsible citizenry. Therefore, promoting youth employment and empowerment will focus on the following:

- **Support to Youths in Agriculture** – This will include continued support to individuals and youth groups with skills, or those currently engaged in agricultural production and processing. It will involve activities such as IVS rice cultivation, groundnut and vegetable production, cassava cultivation, processing and preservation and activities in livestock restocking. A Youth Agricultural Farm Scheme that will provide support for production centres for young people to receive training for a specific period will be implemented. The production centres will be equipped with basic recreation and other relevant facilities.

- ***Support Viable Youth Enterprise*** - The major objective of this programme is to empower youths, alleviate poverty, stimulate economic activity and provide immediate employment opportunities. Providing skills and opportunities for earning is the most basic aspect of economic development. Young people are excessively represented among the ranks of the poor. Young men and women will be equipped to take control of their own lives and create sustainable and healthy money making options. This will help to reduce poverty and raise living standards in their communities. Individuals and youth groups with business interest and marketable talents will be targeted and empowered through appropriate vocational training, apprenticeship; and ICT skills to reduce poverty and enhance their socio-economic status. There will be linkages to activities in the agricultural sector through inputs to young farmers, or adding value to their production for self-sustaining local markets.
- ***Labour Intensive Public Works Schemes*** – Inadequate or battered infrastructure is a major impediment to economic development in contemporary Sierra Leone’s development; it increases the cost of producing goods and services to levels that make them less competitive. Improving the country’s infrastructure through labour-intensive public works schemes, self-employed programmes, and private sector development, could both create numerous job opportunities and also remove this impediment to economic growth. Infrastructure projects with social benefits such as roads, maintenance and rehabilitation of roads and culverts, roads in towns and municipalities, and environmental sanitation: all can be supported to create jobs for the army of unemployed youths in the urban centres.
- ***Waste Management and Disposal Project*** - Solid waste collection, disposal and recycling can be outsourced to youth enterprises in collaboration with the Freetown City Council for a fee. Target area of coverage will be Bo, Kenema, Koidu and Makeni City Councils.
- ***Handy Corps Scheme*** - The scheme will target unemployed youths, organizing themselves into micro-enterprises, after short-term training in the repair and maintenance of basic services (telephone, electricity and water), and provision of other services in the community where they live. Collaboration with public utility companies is necessary for the scheme to be effective. Skills development and training in the provision of repairs and maintenance of basic services will be required. After graduation, the youths will be able to access financial resources from the SLETFUND (as grants and/or loans) as start-up capital, for registration as a micro business, acquisition of tools and equipments and office space, as well as a hotline telephone number.
- ***Job Centres (Employment service centres)*** - Job centres or employment service centres are modernized local exchanges, which act as labour market intermediation to match demand and supply. Job centres provide assistance in job searching, guidance in planning a career, or support for transition from school or college to the world of work. Although a major function of job centres is job placement, another important function is skills training for employability. Skills that improve employability include business management, financial management, information processing, project planning, use of computers, and communication skills.

PART THREE: SELECTED PRECONDITIONS FOR ACHIEVING THE STRATEGIC PRIORITIES

As noted in the growth, employment and poverty nexus analyses, macroeconomic stability is essential for sustaining growth, while growth itself is necessary for creating quality employment and reducing poverty over the long-term. The analyses also highlight that collapses in growth, and failure to generate gainful employment opportunities and drive poverty reduction, can also stem from political instability and national insecurity. This means that it will be important to strengthen governance and implement measures to reform the public sector, enforce an effective anti-corruption agenda, ensure access to equity and justice, and improve human rights. Strong, enduring growth, quality employment and lasting poverty reduction require high rates of investment, which help a country to accumulate the infrastructure and skills it needs to develop quickly. Hence, there is the need for a more vibrant private sector to complement public investment. In this respect also, the financial sector needs to be strong enough to fuel such investment. Finally, if development brings all classes and regions of a society along with it, no group will seek to derail it; hence the President's recognition of the need, for 'attitudinal change' - which aims to promote inclusiveness. This section therefore discusses the following important preconditions for enabling and driving the strategic priorities outlined in this second national poverty reduction strategy:

- a) Sustaining Peace, Security and Good Governance
- b) Sustaining Macroeconomic Stability
- c) Growing the Private Sector
- d) Efficient Management of Natural Resources

8 SUSTAINING PEACE, SECURITY AND GOOD GOVERNANCE

Good governance, rule of law, human rights, and peace and security are essential pre-requisites for sustainable growth and economic development and indeed for successful implementation of the second PRSP. Progress within the Governance sector in PRSP-I was mixed, as there were significant steps forward in some areas such as local government, decentralization, and public procurement, but little improvement in the justice sector and in anti-corruption initiatives. Political instability has the potential to undermine progress in economic growth and so it is important in the PRSP-II to continue to strengthen governance and rule of law. This will mean implementing measures to ensure peace building and consolidation, strengthen national security, reform the public sector, enforce an anti-corruption agenda, strengthen efforts at fighting money laundering and financial crime, provide access to justice and improve human rights. Other issues that will need to be addressed are supporting local governance, the process of decentralisation, parliamentary and civic oversight and attitudinal change.

8.1 PEACE BUILDING COMMISSION AND PEACE BUILDING FUND

Consolidating peace is still a paramount consideration of the Government of Sierra Leone. To do this effectively, the Government is addressing, among other things, the root causes of the conflict and undertake efforts to ensure that the country does not slide back into conflict. It is in this regard that Sierra Leone requested to be included on the agenda of the UN Peace Building Commission (PBC) in June 2006. In December 2007, the GoSL and the Peace Building Commission adopted a Peace Building Cooperation Framework. The Framework is subject to a semi-annual review process to monitor progress on its implementation. The December 2008 review of the Framework recommended that future activities of the PBC should be undertaken in support of the implementation of the current PRS. It further noted that semi-annual review meetings of the Commission should be coordinated with and draw on the annual progress reports on the implementation of the PRS. The Government will continue its engagement with the Peace Building Commission in order to bolster its peace building efforts, broaden its donor base and strengthen its partnership with the existing donors.

In recognition of the fact that consolidating the hard-earned peace in Sierra Leone is a necessary condition for inclusive development and stability, the PBC recommended Sierra Leone to be eligible to receive support from the UN Peace Building Fund. An allocation of \$35 million from the Fund was used to support Government peace consolidation efforts in the following priority areas:

- Youth empowerment and employment
- Democracy and Good Governance
- Justice and security
- Capacity building of public administration
- Support to energy sector.

These five areas were seen as critical to ensuring that Sierra Leone did not fall back into instability particularly in an election year. Support was therefore provided to the National Electoral Commission, the national security forces, Ministry of Youth and Sports and the judiciary.

8.2 ENSURING NATIONAL SECURITY

At the sub-regional level, the security environment for Sierra Leone has improved considerably, with peace in Liberia, and Côte d'Ivoire on the verge of having elections in November 2008. However, corruption, organised crime, including state-corporate crimes, money laundering, smuggling, human trafficking, and weak regulatory and government policies have emerged as serious threats during the Security Sector Review (SSR). The ability to anticipate and mitigate these threats requires a forward-looking national security strategy backed by an effective partnership arrangement. This in turn requires a high degree of integration of resources among security sector institutions, line ministries and departments which is not yet present. In addition, it is clear from the review that some important Ministries/Departments are grossly understaffed and ill-equipped with serious limitations in their capacity to deliver the services for which they are responsible.

These include the Ministry of Internal Affairs, with less than a tenth of the required staff, the Law Officers Department which has only a handful of legal practitioners handling an ever-increasing workload, and the National Registry Office of Administrator and Registrar General whose record keeping is inadequate.

The main goal to be achieved during PRSP-II is for the security forces to be able to prevent and respond to external and internal security threats and provide an enabling environment for poverty reduction. The programme objective is to strengthen the ability of the security forces and agencies to deal with threats and create a safe and secure environment for poverty reduction and conflict prevention. Specific objectives are to:

- Enhance the capacities of all security sector institutions to create a safe and enabling environment for economic growth and poverty reduction.
- Strengthen partnerships already established between security sector institutions and MDAs to prevent and combat trans-national organised crimes such as international terrorism, smuggling, money-laundering, mercenaries and dissidents, drugs and human/child trafficking, and proliferation of Small Arms and Light Weapons (SALW).
- Mainstream disaster risk reduction into the PRSP framework to help prepare, mitigate and respond to natural or man-made disasters.
- To meet all international obligations in the above-mentioned areas, particularly with respect to international treaties and conventions which Sierra Leone has signed and ratified. This can be achieved by improving legislative and regulatory frameworks, and building capacity among officials responsible for implementation.

Core programme activities will evolve around four main challenges: capacity building, institutional reform, effective partnership, and democratic oversight of the security sector. A summary of activities for each of the objectives is as follows:

Enhancing the capabilities of the security forces, institutions and agencies - Specific activities will include recruitment, training, improvement of terms and conditions of service, and provision of adequate logistics to the security forces and related agencies. The need to rehabilitate and/or reconstruct infrastructure including barracks, family accommodation and interagency border posts for the forces and security agencies cannot be overemphasised. This is critical for efficient performance of the sector. There is a need for Government to strengthen the Immigration Department to be able to deal with illegal immigration and related problems. The capacity of the security forces will also be enhanced to enable Sierra Leone to meet its international obligations pursuant to the UN Security Council Resolutions and the International Convention for the Suppression of Terrorist Financing. These international obligations require each country to take reasonable measures to prevent its territory and financial system to be used by terrorist groups or those engaged in terrorist financing.

Strengthening interagency partnership and coordination - Strengthening of the security system to prevent and combat trans-national organised crime in Sierra Leone will occur through a well-coordinated and integrated framework such as the National Security Coordinating Group (NSCCG), the Security Sector Group (SSG), Provincial/District Security Committees (PROSEC/DISEC), Joint Co-ordinating Committee (JCC), Joint Intelligence Committee (JIC), Joint Maritime Authority, and interagency border meetings. The effectiveness of this work will not only depend heavily on close inter-agency cooperation, but also on the degree to which relevant ministries and agencies enlist support of financial institutions, private sector entities and independent professionals, and even local NGOs which offer products/services typically used by organized criminal and terrorist groups. The programme will:

- Improve efficiency in the security system by supporting NSCCG, SSG, JCC, and JIC joint training and capacity building activities and policy meetings
- Support the enactment and enforcement of legislative and regulatory frameworks which meet international obligations and standards dealing with trans-national organised crime. This includes creating a financial intelligence unit; and ensuring that sanctions, fines and penalties for engaging in money laundering, terrorism, terrorist financing or other kinds of organized or cross-border criminal activities are sufficient under relevant legislation.
- Support the implementation of a comprehensive National Disaster Management Programme, border-strengthening initiatives and the SALW Programme
- Build synergies with domestic and foreign counterpart institutions and coordinate efforts among institutions concerned with civil aviation, maritime security and national intelligence management measures and regulations
- Support the Disaster Management Department to enhance its performance in disaster risk reduction, mitigation and response.

Strengthening civilian oversight of the security sector - The SSR has identified the need to focus on capacity building through consultative meetings, seminars, logistical support and continuous dialogue to ensure that three critical aspects of democratic governance are achieved, namely; transparency, accountability, and responsiveness. To meet these critical challenges, the SSR Programme will seek to ensure that security agencies are accountable to elected civil authorities, such as the National Security Council (NSC), Parliamentary oversight committees and civil society involvement. Also, that information about security sector planning and budgeting is widely available both within government and to the public. Activities proposed include:

- Redefining the composition of oversight structures such as the NSC, NSCCG, the Police Council, JIC, JCC, and the Defence Council, to function effectively and provide the appropriate policy direction.
- Strengthening the Parliamentary Oversight Committee on Security and Defence matters by conducting awareness meetings and workshops with coordinating institutions to ensure democratic governance of the sector.
- Strengthening the security sector decentralisation process by providing adequate support to PROSECs and DISECs under the guidance of the ONS. It is envisaged that strengthened ONS/PROSEC and DISEC structures would not only provide an enabling environment for sustaining the intended local governance decentralisation process, but would also serve as a deterrent to unscrupulous local governance activities.

8.3 LOCAL GOVERNANCE AND DECENTRALISATION

The Local Governance and Decentralization Reform programme commenced with the 2004 local council elections which ushered in the first democratically elected local councils in Sierra Leone since 1972. The Local Government Act which provides the legal and regulatory framework in support of the implementation of decentralization in Sierra Leone was also passed in 2004.

Since this time, the GoSL has established 19 local councils in Sierra Leone which are fully functional and effective, albeit at varying degrees of performance across the country. The programme is being supported at the ministerial level by the Ministry of Internal Affairs, Local Government and Rural Development with both GoSL and Development Partners co-financing. Since 2005, in support of devolved functions, the MoFED has provided funding through a grants distribution formula system to all local councils.

The principal objective of activities related to governance and decentralisation is to enhance service delivery and support development in Sierra Leone. The decentralization draft policy framework supports the following strategic directions which will be addressed during PRSP-II:

- Opening up the national democratic process by facilitating inclusion and participation of citizens in national governance
- Supporting citizen and community ownership of the national decentralization process
- Fostering transparency and especially demand-side accountability in governance and service delivery.

To strengthen local governance and decentralization GoSL will:

- Facilitate the implementation of the on-going national decentralization programme
- Support and ensure full and effective devolution of functions with accompanying financial resources in accordance with the statutory instrument
- Provide requisite support to the creation of an appropriate human resource base to support both central and local governments for effective and efficient devolution
- Work with local councils to improve on the collection and management of local/domestic/own source revenues

- Facilitate the harmonization of various sector and MDA policies
- Ensure, through support to local councils, improvement on a consistently increasing basis in provision and delivery of basic, essential services in the social, human and economic sectors.

To achieve this, the Government will undertake the following:

Revision and reformulation of the decentralization policy - A revision and reformulation of decentralization policy is needed in order to fast track and facilitate the implementation of the decentralization programme by putting forward options for responding to the current implementation challenges.

Revision of the current legal framework - The Local Government Act 2004 will be revised, to make it more robust and effective to support devolution and regulate stakeholder relationships and interactions in fiscal, administrative and political matters.

Preparation of National Chiefdom Policy and National Chiefdom Act - This will facilitate revenue collection through mobilization, as well as enhancing financial management relationships between local councils and Chiefdoms.

Support further devolvement of government functions - Ensure that all outstanding functions identified by MDAs are fully and effectively devolved during the period 2008-2010.

Streamline legislation that is inconsistent with the Local Government Act - Embark on the revision of all identified legislation which either conflicts with or is inconsistent with major provisions of the Local Government Act 2004, with special attention given to the Education Boards Act, the Hospital Boards Act and Sierra Leone Water Company Act in aid of improved service delivery.

Preparation of a National Decentralisation Coordination Policy - A national decentralization coordination policy will enhance coordination among critical stakeholders at all levels of the decentralization process.

Preparation of regulations and guidelines to support the decentralisation process - Guidelines will be developed in core areas of critical challenges in decentralization such as human resources management, fiscal decentralization, investment promotion and environmental safeguards for projects.

Support to the planning process - In the period under focus, support will be given to major planning and strategy interventions such as the revision of Local Council Development Plans and the conduct of annual Comprehensive Local Government Performance Assessments.

Empowering Rural Communities - Empowering Rural Communities is key to ensuring that the majority of Sierra Leoneans are not marginalised and that Peace is consolidated at the grassroots level. There is need to provide basic infrastructure that will enable rural communities to have access to financial services and market opportunities.

8.4 THE AGENDA FOR FIGHTING CORRUPTION,

Government is firmly committed to the fight against corruption. The Anti-Corruption Commission (ACC) was established through an Act of Parliament in February 2000 with a mandate to prevent

all forms of corruption in Sierra Leone. Notably, Sierra Leone was the eighth country in the world to sign and fully ratify the U.N. Convention Against Corruption.²⁶ The ACC is a crucial part of the process of consolidating peace and good governance, but the Commission cannot, as a stand-alone institution, effectively fight corruption without the support of other pillars of the state. This requires a broad stakeholder coalition through systemic changes rather than through isolated events. The ACC faced considerable difficulties during the implementation period of the PRSP-I in undertaking its role:

- It had to contend with a lack of capacity within its investigations department, which hampered its ability to successfully investigate and prosecute cases of corruption. This was due to a shortage of trained staff and basic equipment needed to undertake investigations.
- It was not an autonomous prosecuting body and required the consent of the Attorney General in order to initiate prosecutions, which proved to be a problem.
- The ACC only had offices in Freetown and Bo, but would like to establish offices in other parts of the country as well. Only limited funding for the formation of these offices is being provided by the Government of Sierra Leone and external assistance will be sought to cover the funding gap.
- There was and still is lack of public awareness as to what cases and kinds of corruption allegations the ACC can investigate and as such, there is therefore an urgent need for public education.
- Funding for the operation of the Commission has been subjected to delays and sometimes hampered by the non-availability of funds to undertake planned activities.

The Government will therefore be focussed on improving the capacity of the ACC to implement the NACS, expansion of service delivery, enhancing public awareness on corruption issues, and improving the ACC's image. One of the key strategic outcomes for PRSP-II is a strengthened fight against corruption through the following initiatives:

- ***Strengthen ACC's autonomy:*** Government will fully implement the provisions of the amended ACC Act 2008 which has given the Commission full powers to prosecute corruption cases without seeking the approval of the Attorney General.
- ***Improving ACC's capacity for NACS implementation:*** For the ACC to implement and monitor effectively the NACS, the capacity of the institution needs to be strengthened through provision of adequate training for ACC staff, development of a database and a web-based reporting system, and provision of basic equipment to enhance the work of the Commission.
- ***Improving and expanding service delivery:*** This will be undertaken through the examination of systems and procedures of MDAs and other public bodies, with the aim of developing a system to decentralise the operations of the ACC to other institutions. As part of this process, a decentralised operations manual and a case profiling/management framework will be drafted. There will also be a revival of the in-house case review committee and a stakeholder workshop on the decentralization plan, while a system for

²⁶ Signed on 3 Dec. 2003; Ratified 30 Sept. 2004.

monitoring of field office performance will be developed, as well as the monitoring and enforcement services, which will also be expanded and improved.

- ***Enhancing public awareness on corruption and the image of the ACC:*** The ACC will embark on a public perception survey to understand how it is perceived to be functioning by staff and the general public on generic issues relating to the ACC, in order to develop a strategy for moving forward successfully. The goal of this survey will be to achieve a positive public perception of the ACC as the importance of public trust in the government and the ACC is critical. Without a certain level of public trust, the complaints mechanisms would not function effectively and people will not come forward as witnesses in the prosecution of anti corruption cases.
- ***Regular Assessment of the implementation of the ACC Strategy:*** In order to monitor progress and take remedial actions necessary, the implementation of the ACC strategy will be done within the overall monitoring and evaluation framework of the PRSP.
- ***Strengthening Prevention and Deterrence Mechanisms:*** Because proceeds from corruption in most cases are ‘laundered’ in some way (either by depositing in a foreign or domestic financial institution, or using the proceeds to purchase assets or goods), mechanisms used for prevention and detection of money laundering and terrorist financing are also useful in preventing and detecting corruption. Therefore, enhancing implementation of systems for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) can substantially strengthen the fight against corruption. Sierra Leone has made some progress by adopting, in 2005, an AML/CFT law, which contemplates establishment of a financial intelligence unit, but implementation has stalled due to lack of resources and capacity challenges. However, the July 2008 law enforcement operation which resulted in the seizure of 700 kg of cocaine at the Lungi airport has awakened political interest and will to progress further in implementation of international AML/CFT obligations.

8.5 EQUITABLE AND AFFORDABLE JUSTICE AND HUMAN RIGHTS

The justice sector in Sierra Leone has been subject to close public scrutiny, and Government is aware that an efficient and effective justice system is important to ensure that the human rights of all citizens are upheld. Consequently, since the end of the war, the justice sector has initiated comprehensive reforms to make it more responsive to both national and global demands, to ensure citizens rights and access to the justice system. Among the most basic elements missing is the lack of access by citizens and even government officials to the laws and regulations of Sierra Leone. This significantly prevents citizens from knowing their rights and obligations, government officials from understanding their mission and duties, and in particular, hinders anti-corruption work, impedes enforcement of civil and contractual rights.

The overall mission of the justice sector is to develop an efficient, effective, impartial and accountable justice sector that meets the needs of all communities in Sierra Leone. The immediate priority for the justice sector is the delivery of justice at the community level to the people of Sierra Leone. Although the focus of the strategy is on primary justice, the Government recognises

that a modern state requires a well-functioning formal justice system. Serious crimes require the intervention of the State and a well-functioning commercial dispute resolution system, while a pro-business legal framework is vital for economic growth. The twin policy concerns at the formal level of justice provision are to enhance both the quality of justice provided and its accessibility.

This process will be guided over the medium to long-term by the newly developed Justice Sector Reform Strategy and Action Plan (2008-2010). This provides a single framework for all significant funding for the sector to be aligned to support a single sector policy and coordinated expenditure framework, under Government leadership. The main issues of concern relating to the formal justice system include²⁷:

- A lack of motivation among staff due to low remuneration and few incentives for promotion;
- Insufficient case deposition creating high backlogs of pending cases in all institutions including the police, prosecution services and the courts;
- A lack of comprehensive and systematic statistics available at the institutional level impeding case tracking;
- Prevalence of corruption within all sections and at all levels of the justice sector;
- Few, and expensive, private lawyers available;
- The use of legal assistance and representation from paralegals and legal technicians is prohibited, although some paralegal schemes exist;
- No provision for pro bono services for private attorneys;
- No public defence has been created by law, depriving defendants of their constitutional rights to be defended.

To address the issues facing both the primary and formal justice systems, the strategy focuses effort and resources on four broad goals and six targets. In summary, the main goals, related activities and targets to be achieved during PRSP-II are:

Providing safe communities - This activity will focus on strengthening community engagement and involvement through local needs policing and local policing partnership boards. Investment will be made in improving the investigation capacity of the police. Activities to strengthen the performance and supervision of chiefdom police will also be undertaken. The strategy emphasizes the key role of the Sierra Leone police as core players in the justice sector. The target for this activity will be a reduced fear of crime.

Increasing access to justice - Activities will be undertaken to strengthen the quality of justice provide by local courts, and by paramount and local chiefs. In the formal justice system, the processing of criminal cases will be addressed with best practice being disseminated through the recently developed Criminal Case Best Practice Handbook. An initiative to provide criminal legal aid through paralegals to defendants will be piloted, and consideration will be given to the establishment of an independent prosecution service. At the local level, a low cost pilot project to improve cooperation, coordination and communication between the actors in the criminal justice system will be initiated.

²⁷ UNDP Advisory Note, Joint Mission for Crisis, Prevention and Recovery / Bureau for Development Policy Sept 11-19, 2005; "Contributing to the Consolidation of Peace in Sierra Leone through support to Justice, Rule of Law and Human Rights"

Juveniles in conflict with the law have particular needs, and activities will be designed in accordance with the recently enacted Child Rights Act with appropriate procedures for handling facilities for juveniles. The targets for this activity will be improved satisfaction levels with community based justice, quicker resolution of criminal cases, improved handling of cases involving juveniles and faster processing of civil disputes.

Strengthened rule of law - Corruption and maladministration will be addressed through improved and more accessible administrative justice remedies and strengthening the office of the Ombudsman and the Anti Corruption Commission. Priority human rights issues will also be addressed by working with the Sierra Leone Human Rights Commission to ensure compliance with international human rights reporting obligations, and within the sector to improve prison conditions. The target for this goal will be the strengthened rule of law.

Improved justice service delivery - Improving the performance of institutions in the sector within the current resource envelope will be addressed. Capacity will be built for performance and change management, and critically to improve planning and budgeting through strengthening institutional budget committees and planning and policy making across the sector. There will be a drive to achieve efficiency savings in the sector through minimizing waste in the system, and using available assets to best effect. Improved use of prison farms will be a key area of attention in this respect. The target for this goal will be improved human rights outcomes and accountability.

Strengthening the Democratic Process – The successful conduct of the 2007 Presidential and Parliamentary elections and the 2008 local government elections proved that with adequate support to democratic institutions, credible elections could be peacefully held in Post Conflict countries like Sierra Leone. These successes notwithstanding, there is a need for continued support to the National Electoral Commission and the Political Parties Registration Commission. This support will ensure that NEC has the requisite capacity to conduct the 2012 elections while PPRC will maintain regular dialogue amongst political parties in the months leading to the election.

8.6 ATTITUDINAL CHANGE

The state of backwardness of Sierra Leone is a clear indication that we have not been doing things in a manner that would move our country forward. The call for a change of attitudes among Sierra Leoneans is not new but is being given added impetus. There is a need for change in attitudes towards one another, change in attitudes to work and responsibilities and change in attitudes towards the nation. All of these changes should translate positively into progress and development for Sierra Leone.

There are challenges the country needs to overcome in order to achieve this goal. Principal among these challenges is the “fear of change” manifested by the tendency for Sierra Leoneans to continue to do things in the particular way they have been used to doing, even if that way is not in the best interest of the country.

The attitudinal change campaign has already been launched and is operating under the supervision of an Attitudinal Change Committee set up with the Ministers of Presidential and Public Affairs and Information and Communication as Co-chairs.

The main goal of the Attitudinal Change Campaign is to get Sierra Leoneans to change their attitudes to enable them to transform their country from a failed state to a peaceful, progressive and united nation. To achieve this, the Government will develop a comprehensive national plan of action on Attitudinal Change. This plan of action will clearly define roles and responsibilities of the various institutions involved in the implementation of the Attitudinal Change agenda and identify key targets groups. Regular radio and TV programmes will be developed to ensure that the message is widely disseminated; promotion materials will also be developed. An incentive and sanction system will also be developed to reward those groups and individuals that are promoting the positive change of attitudes whilst penalties will be levied on those trying to prevent change.

The following activities will be undertaken to promote Attitudinal Change:

- Familiarization with the contents of the programme;
- Development of messages for general Attitudinal Change and specific messages for Attitudinal Change relevant to each particular group e.g. taxi/podapoda driver, butcher, market woman;
- Identification of appropriate channels for the delivery of messages;
- Determination of the role each group should play in formulating and delivery of messages;
- Determination of the strategies each group will employ in disseminating attitudinal messages for change;
- Production of samples of Attitudinal Change materials for the literate and illiterate audience;
- Production of sample Attitudinal Change campaign materials to be pre-tested for possible national production and dissemination.

Expected Outputs:

- Increased debate and awareness about the issue of Attitudinal Change and the need for it;
- Recommendations for appropriate materials for the Attitudinal Change campaign obtained;
- Practical and realistic objectives and targets defined;
- National programme for Attitudinal Change understood and accepted for implementation;
- Collaborating partners identified;
- Sample attitudinal change campaign materials produced, appraised and approved;
- Commitment of individuals, groups and institutions involved in the preparation of the campaign achieved;
- Attitudinal Change campaign re-launched.

Key activities:

- Regular Radio/T Programmes with slots for feature and panel discussions;
- Seminars, Workshops, Conferences with targeted groups and stakeholders;
- Community sensitization campaign with selected groups of youths, women and elders;
- Establishment of college/school clubs to promote the ideas of Attitudinal Change;
- Mount special annual celebrations, special days or weeks designated as Attitudinal Change events;
- Production of information materials, leaflets, brochures, banners, bulletins on Attitudinal Change;
- Organize competitions for the production of songs, jingles, poems promoting Attitudinal Change in the country;
- Disseminate “Youth Messages” in Syndicated weekly radio shows produced by radio stations in cooperation with youth organizations and youth leaders.

Key Outcomes

- Greater compliance with traffic regulations from podapoda/ taxi/ okada riders;
- Increased care in the use of government property;
- Greater respect for state symbols and state authority;
- Larger numbers of law-abiding citizens;
- Greater punctuality at work;
- Greater tolerance of differences in opinions, party, political, ethnic and regional affiliations;
- Improved disposition to pay taxes and perform civic obligations.

9 SUSTAINING MACROECONOMIC STABILITY

Since the end of the civil war in 2002, Sierra Leone has maintained macroeconomic stability, aided by fiscal discipline and average aid inflows of 12% of Gross Domestic Product (GDP). The successful implementation of the first IMF-supported Poverty Reduction and Growth Facility (PRGF I) arrangement from 2001 to 2005, and the strong macroeconomic performance during the interim period resulted in a new arrangement agreed in May 2006. With continued donor support, during the course of PRSP-I, Sierra Leone achieved a relatively stable macroeconomic environment with strong economic growth, moderate inflation, an improved current account balance, a comfortable level of foreign reserves, and a relatively stable exchange rate. A sustainable external debt level was attained after completing and accessing debt relief under the HIPC and MDRI Initiatives. This chapter outlines the set of programs and policies to ensure macroeconomic stability throughout the PRSP-II period.

9.1 MEDIUM TERM MACROECONOMIC FORECASTS

Government is committed to maintaining macroeconomic stability, promoting sustained and broad-based growth and pursuing structural reforms. The medium-term macroeconomic objectives are to sustain broad-based growth, reduce average inflation to single digits and maintain gross foreign reserves at a minimum of 3.5 months of import cover. Economic growth over the medium term will continue to be broad-based, with output increasing in all major sectors. Increasing public and private investment and more reliable electricity supply are expected to sustain these activities.

Table 18 below presents the medium-term macroeconomic framework – a detailed outline of how government projects the economy to develop over the period of the PRSP-II (2009-12).

- The macroeconomic framework agreed with the IMF projects that real GDP will grow in the range of 5.5%-6.5% during the period 2009-12.
- Agriculture will remain Sierra Leone's major economic activity, and is expected to record robust growth during PRSP-II, due to planned support to the sector by Government and donors and the full implementation of the ongoing World Bank funded Private Sector and Rural Development Project.
- The services sector is also expected to expand during the period as the benefits of efforts to improve the national power supply, road network and business regulatory environment exert their influence on private sector investment.
- Manufacturing output is also expected to benefit from improvements in infrastructure and the business environment.
- Taking into consideration the lingering effect of the surge in oil and food prices, annual average inflation is projected to remain in the lower double digits 2009 before returning to single digits in 2010. End period inflation is expected to return to a single digit of 9.7% in 2010 and remain at single digit levels throughout the period.

- Domestic revenue is projected to increase in the medium-term, from 11.8 % of GDP in 2008 to 12.3% in 2009 and further to 13.8% in 2012. This will be due to the positive revenue implications in 2008 and beyond of the implementation of the five year National Revenue Authority (NRA) Modernization Plan, and the introduction of the Goods and Services Tax.
- Total expenditures and net lending are programmed to increase slightly from 21.2% of GDP to an average 22.1% of GDP during 2009-2012.
- Capital expenditures are programmed to increase from 6.0% of GDP in 2008 and to an average of 7.4% of GDP during 2009 to 2012 as spending on infrastructure is scaled up. Recurrent expenditure will decline slightly from 14.9% in 2008 to 14.6%.
- The overall budget deficit (excluding grants and MDRI), is projected to narrow from 9.9% in 2009 to 8.3% in 2012. Including grants and MDRI, the overall deficit is projected to decline from 3.5% of GDP in 2009 to 3.1% of GDP in 2012.
- The domestic primary budget balance is programmed to decline from 1.7% of GDP in 2009 to 0.9% in 2012. Domestic financing of the budget is projected to decline from 1.3% of GDP to less than 1.0% of GDP over the same period.
- Exports are expected to continue to grow in the medium term. In 2008, the collapse of the second dredge of the Rutile Mine and suspension of operations of Koidu Holdings slowed down the anticipated increase in mineral exports. Exports are projected to recover strongly in 2009 with the resumption of the Kimberlite, reaching a peak growth rate of 21.4% in 2010 before slowing to 14.9% through 2012 as rutile and bauxite reach their maximum capacity.
- Imports are also projected to contract by nearly 2% in 2009, reflecting the impact of the global economic slow down. Imports are expected to recover strongly in 2010, and continue to grow though at a decreasing rate (average growth rate of 10%) during 2011 and 2012. Reflecting these trends, the current account balance (excluding official transfers) is projected to narrow from 8.1% of GDP in 2009 to 6.3% in 2012.
- Including official transfers, the current account balance is projected to narrow to 3.3% GDP in 2012 from 5.2% in 2009. These developments will allow gross foreign reserves to increase from 3.9 months of imports in 2008 to 4.5 months of imports in 2012.

The following sections provide a detailed presentation of the policy measures which will be undertaken during PRSP-II to ensure that the Government's vision of a stable macroeconomic environment, which is key to economic growth and poverty reduction, becomes a reality.

9.2 FISCAL POLICY AND MANAGEMENT

Fiscal policy in the medium term will seek to ensure fiscal sustainability by enhancing domestic revenue mobilization and improving expenditure management, with the aim of reducing domestic debt financing of the budget. Government expenditure will be re-oriented to step up investment in infrastructure and other priority areas.

Domestic Revenue Mobilization - The mobilization of domestic revenues through the broadening of the tax base is a top priority of Government. Government will aim both to broaden the tax base, and to maximize compliance and collection efficiency of existing taxes. As a result, domestic revenue is projected to increase from 11.8% of GDP in 2008 to 13.8% of GDP in 2012.

Broadening the Tax Base - A variety of measures are planned to broaden the tax base. Government will introduce a broad-based consumption tax, the Goods & Services Tax (GST), in early 2009. The GST will replace the existing sales tax, and five other indirect taxes. The NRA will also collaborate with the Local Councils to design and implement modalities for incorporating the informal sector in the tax net. Furthermore, Government will undertake a comprehensive review of all bilateral agreements entered into by MDAs, particularly in the mining sector, with a view to eliminating a variety of company specific discretionary tax breaks.

Improving Efficiency and Compliance - To improve collection efficiency and tax enforcement, Government will implement the policy measures highlighted in the NRA Modernization Plan. The NRA Large Tax Payers and Enforcement and Debt Management units will be provided with appropriate staffing, training and logistics capacity. The NRA will prepare an audit policy and a comprehensive audit plan to facilitate the conduct of regular field audits on a time-bound basis. A Tax Compliance Unit and a Post-Clearance Audit unit will be established in the Income Tax and Customs and Excise departments to enhance tax compliance. Government will seek technical assistance to build NRA capacity to undertake destination inspection of imported goods. In addition, with the aim of improving tax compliance, large-scale tax education campaigns will be carried out by a reformed Tax Education Unit, to inform the public about the objectives and benefits of complying with the tax laws.

With support from DFID, a computerised system (ASYCUDA++) will be installed in the Customs and Excise department of the NRA to improve customs valuation and clearing procedures. The implementation of ASYCUDA++ will commence in April 2008 and completed in May 2010. A computerized Taxpayer Identification Number system is on target to be introduced during the third quarter 2008, which is expected to increase administration efficiency in the collection of all taxes. In the Income Tax Department, major procedural and organizational changes will be instituted in the next 18-24 months and these will be supported by a computerized system. In addition, to enhance tax policy and revenue forecasts, a comprehensive database on domestic revenue sources will be created by MoFED, and a Central Monitoring Unit will be set up in MoFED to monitor collection of overdue arrears on permits, Pay-As-You Earn, and withholding tax.

9.2.1 PUBLIC EXPENDITURE MANAGEMENT

In line with the challenges to macroeconomic stability outlined above, the objective of Government's medium-term expenditure policy is to ensure expenditure is directed to meet the poverty-reducing goals of PRSP-II, while maintaining prudent expenditure controls and avoiding domestic borrowing to finance the budget.

Major constraints in budget and MTEF preparation during PRSP-I were the unrealistic projections that were made of Government's resource envelope, and the weak capacity of the MTEF process to provide a framework for the strategic allocation of budgetary funds. In 2008, the Government commenced the preparation of Medium-Term Fiscal Frameworks, incorporating realistic medium term resource projections. As part of this initiative, MoFED introduced rigorous and evidence-

based macroeconomic and revenue forecasting and planning systems. Moreover, resource allocation will be enhanced by the integration of the recurrent and development budgets from the 2009-2011 MTEF and budgets onwards.

To better integrate implementing MDAs into the MTEF process, MoFED will develop new guidelines for the preparation of strategic plans by MDAs, and ensure that the strategic plans adequately reflect resource allocations to these MDAs. Capacity building assistance will be provided to all MDAs to improve the quality of their strategic plans. Budget Committees will occupy a central role in the preparation and implementation of MDA budgets, and will be responsible for the preparation of the MDA strategic plans, monitoring expenditure and results. MoFED will also initiate sector level meetings to harmonize strategic plans within sectors.

MDAs will need to develop measurable and achievable performance indicators for each outcome specified in their strategic plans, with reference to the indicators stipulated in the Results Framework Matrix of the PRSP-II. Government will make use of these key performance indicators to monitor and evaluate the performance of each MDA over the MTEF period. The Performance Budgeting Module in IFMIS will also be used for budget planning and execution. MoFED will continue to expand stakeholders' participation in the MTEF process. MDAs will collaborate with Civil Society Organisations and the District Budget Oversight Committees in the planning, monitoring and implementation phases of their programs.

Table 18: Sierra Leone: Medium Term Macroeconomic Framework, 2006- 2012

	2006	2007	2008	2009	2010	2011	2012
	Actual		Projected				
Income and expenditure							
Real GDP	7.4	6.4	5.5	5.5	5.8	6.0	6.5
GDP deflator	11.9	10.8	12.0	8.3	5.1	5.6	5.4
Nominal GDP	20.1	17.9	18.2	14.3	11.2	11.9	12.2
Consumer prices (end of period)	8.3	13.8	15.7	9.8	9.0	8.7	8.2
Consumer prices (annual average)	9.5	11.7	15.6	12.7	9.4	8.9	8.5
Money and credit							
Broad money	18.9	25.9	20.4	14.1	11.1	11.7	12.0
Velocity (level)	4.7	4.4	4.3	4.3	4.3	4.3	4.3
Domestic credit ²	-48.7	27.2	41.9	20.8	19.8	18.4	13.7
Government ²	-63.9	17.6	49.1	21.9	18.6	17.5	8.8
Private sector	18.5	39.4	34.6	20.0	21.8	19.9	20.0
Reserve money	10.7	26.0	16.8	13.6	11.0	10.8	10.6
Interest rate ³	14.2	21.3	...	...	...	...	...
External sector							
Exports (US\$)	28.3	3.9	0.0	12.0	21.4	14.9	14.9
Imports (US\$)	1.9	4.6	17.4	-1.8	14.1	8.2	12.3
Terms of trade (- deterioration)	-6.4	-0.6	-17.9	0.6	3.4	0.8	0.8
Real effective exchange rate (depreciation; eop)	-7.4	0.5	...	...	...	...	...
Gross domestic saving	7.9	6.0	5.1	8.9	10.5	11.7	12.5
Government	-1.3	0.3	-0.9	0.0	1.1	1.4	1.5
Private	9.1	5.7	6.0	8.8	9.4	10.3	11.0
Gross domestic investment	15.5	13.4	15.7	16.7	17.7	17.8	18.4
Government	5.1	3.5	6.0	7.3	7.4	7.5	7.5
Private	10.4	9.9	9.7	9.5	10.3	10.4	10.9
Current account balance, including official transfers	-3.5	-3.8	-7.1	-5.2	-4.6	-3.6	-3.3
Current account balance, excluding official transfers	-8.8	-7.3	-10.6	-8.1	-7.5	-6.5	-6.3
Overall balance of payments	10.2	1.9	-2.7	0.8	0.5	1.7	1.3
Government domestic revenue	11.8	10.8	11.8	12.3	13.3	13.6	13.8
Total expenditure and net lending	22.7	17.6	21.2	22.2	22.0	22.1	22.1
Of which: current expenditure	17.6	13.3	15.2	14.9	14.6	14.6	14.6
Overall fiscal balance							
(excluding grants and MDRI)	-11.0	-6.8	-9.4	-9.9	-8.7	-8.5	-8.3
(including grants and MDRI) ⁴	9.3	25.2	-3.2	-3.5	-3.8	-3.8	-3.1
Domestic primary fiscal balance ⁵	-3.1	-1.9	-2.8	-1.7	-1.2	-1.0	-0.9
Domestic financing	-10.4	1.7	1.8	1.3	1.2	1.1	0.8
Financing gap (in US\$ millions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service due (incl. to IMF) after debt relief ⁶	6.6	4.1	3.1	2.8	4.1	5.0	5.0
Debt service due (incl. to IMF) before debt relief ⁶	18.9	135.7	4.1	3.6	4.7	5.6	5.6
Net present value of debt-to-exports ratio ⁷	52.1	41.1	49.9	56.2	56.5	56.7	56.1
Memorandum items:							
External current account balance, excluding official transfers	-125.8	-122.1	-209.4	-173.0	-169.2	-157.3	-163.6
Gross international reserves	184.2	215.5	180.1	219.3	239.9	274.9	299.9
(months of imports) ⁸	4.7	4.6	3.9	4.2	4.3	4.4	4.5
GDP	1,423.7	1,664.8	1,968.9	2,130.7	2,261.2	2,421.3	2,603.6
GDP (Le billions)	4,217.0	4,969.8	5,873.4	6,711.8	7,461.9	8,353.6	9,372.9

Sources: Sierra Leonean authorities, and IMF staff estimates and projections.

Notes

¹ EBS/06/158 (December 4, 2006)² The numbers reflect the impact of MDRI.³ Treasury bill rate (end of period).⁴ Domestic revenue minus total expenditure and net lending, excluding interest payments, and externally financed capital expenditure.⁵ Net present value (NPV) of debt under the LIC DSF.⁶ Months of imports of goods and services of subsequent year.

To address the issue of commitment control, the Accountant General's Department will continue to roll-out the Integrated Financial Management Information System (IFMIS), which allows processing of transactions relating to specific MDA's from their respective locations. At least 6 additional MDAs will be connected to IFMIS during PRSP-II. Only commitments with prior approval of MoFED can be processed by the Budget Bureau. It is expected that these procedures will reduce, if not eliminate, the build-up of unapproved arrears. Finally, to address the issue of its poor cash flow planning, MoFED will establish a Cash Management Unit during PRSP-II which will prepare consolidated cash flow plans for consideration and approval by a formalized Cash Management Committee.

9.3 PUBLIC FINANCIAL MANAGEMENT

The goal of the Government is to ensure the continuous operation of a sound Public Financial Management (PFM) system which supports fiscal discipline; the strategic, efficient and effective allocation of resources, and value for money and probity in the use of public funds. In this regard, there have been several reform programmes which include:

- Enactment of the Government Budgeting and Accountability Act in May 2005 and adoption of Financial Management Regulations in June 2007;
- Enactment of the National Public Procurement Act 2004, followed by the establishment of a central regulatory authority for procurement and a complaints review panel. This led to the establishment of Procurement Committees in all procuring agencies and initiation of training of procurement personnel;
- Bringing the publication of the Annual Public Accounts, Audit reports and quarterly publication of un-audited accounts up to date;
- Introduction of IFMIS and its roll out to key institutions;
- Formulating a National Action Plan for PFM reform, internal and external assessments of the state of PFM using standard PEFA methodology;
- Drafting of Financial Administration Regulation for Local Councils.

Notwithstanding the progress made, there are key challenges ahead; therefore, the next phase of the PFM reform for the period 2009-12 will be implemented within the Integrated Public Financial Management Reform Programme. This programme is designed to ensure sustainability and consolidation of the PFM reforms within a single and harmonised framework. Specifically, the programme is going to focus on the following:

- Budget Formulation- refining and deepening the MTEF process;
- Macro fiscal analysis and management;
- Extend the roll out of IFMIS to include all MDAs. This will also involve the roll out of IFMIS Performance Budgeting Modules;
- Improve Human Resource and Payroll Management;

- Improve audit and oversight through providing logistics and training for internal audit units as well as Parliamentarians;
- Strengthening debt management by ensuring that all institutions involved in debt management have clear mandates;
- Review the legal and regulatory framework for a sound PFM system;
- Developing the capacity of local councils in terms of Financial Management by providing training and the development of an interim financial management system for local councils.

9.4 MONETARY POLICY

Monetary policy during PRSP-II will continue to be conducted using indirect instruments of monetary policy operation, mainly Open Market Operations, and will focus on attaining a single digit rate of inflation. As noted in the challenges to macroeconomic stability, the emerging US recession and increasing costs of Sierra Leone's major imports (food and petroleum products) will likely stoke inflationary pressure during the PRSP-II. To enhance the ability of monetary policy to contain inflationary pressures, the following measures will be implemented during the period of the PRSP-II:

- The Government will further recapitalize the Bank of Sierra Leone (BSL).
- BSL will seek to remove the need for Parliamentary approval to adjust the reserve requirement for commercial banks. This requirement creates a lag between the perceived need for the change and the actual change, during which liquidity conditions may have altered. This renders the reserve requirement ineffective as a monetary policy tool. Furthermore, the Bank intends to place the same reserve requirement on foreign currency deposits (which at the moment attract no reserve requirement) as on domestic deposits.
- Consideration is being given towards introducing a long-term security, with a period of three to five years, to reduce the debt service burden of government in the short end, and free up resources for monetary operations. The Bank hopes to direct institutions with long term funds (insurance companies, NASSIT, etc.) to utilize these longer term instruments. In addition, a wholesale auction to promote an effective secondary market will be introduced.
- With the aim of fine-tuning fulfilment of liquidity needs, a fully operational inter-bank market and Repurchase Agreements (REPO) will replace the current rediscount window in the secondary market for securities. This window is a reason for the slow pace of inter-bank transactions. Transactions in this window currently are unrelated to end day liquidity requirement of the banking system. Opening the rediscount window for a shorter period, and progressively limiting the value of transactions carried out in it, will slowly phase out the discount window, opening the way for its replacement with REPO.
- Transparency of open market operations will be enhanced by instituting a strict line of demarcation between securities for open market operations and those servicing the Public

Sector Borrowing Requirement, so the amount of securities at primary auction is in line with the liquidity-forecasting framework against the programmed monetary targets.

- Dealership status will be expanded to other financial institutions to broaden the market for securities.

9.5 EXTERNAL SECTOR POLICIES

Government remains committed to a freely floating currency and a liberal trade regime. During PRSP-I, trade policy concentrated on agreeing an Economic Partnership Agreement with the European Union, and implementing the ECOWAS Common External Tariff as part of the ECOWAS Trade Liberalization Scheme (ETLS). Issues remain in both areas, which will be addressed during the PRSP-II. Sierra Leone temporarily seceded from the ETLS in May 2007. However, Sierra Leone remains committed to the ETLS and will work with the ECOWAS commission to put in place efficient mechanisms for ETLS implementation. On the Partnership Agreement with the European Union, like its ECOWAS neighbours, Sierra Leone has imposed upon itself a number of conditions which must be met in order to ensure that local industries and fledgling exporters are not overwhelmed by free trade with larger and more advanced competitors. These include stimulating and expanding domestic production and investment structures, and negotiating tariff phase-down schedules with the EU.

9.6 EXCHANGE RATE POLICY

Sierra Leone is a small open economy and needs to maintain a competitive exchange rate. To allow flexibility in response to internal and external shocks, exchange rates in Sierra Leone will continue to be market-driven. The exchange rate will remain free from restrictions on payments and transfers for current international transactions. The BSL will continue the weekly foreign exchange auction.

The Central Bank will seek to maintain foreign exchange reserves to provide a cushion against external shocks and will also increase exchange rate flexibility to allow for appropriate exchange rate responses to these shocks. However, to ensure that this can be done while maintaining exchange rate stability, efforts must be directed towards encouraging export development and diversification.

9.7 EXPORT PROMOTION AND DIVERSIFICATION

During PRSP-I, Government developed an action matrix for export promotion and diversification, informed by the Integrated Framework Diagnostic Trade Integration Study (DTIS). Two major

elements of this strategy will be the promotion of exports in the cocoa and fisheries industries. Government will continue to implement the recommendations in the action matrix. The Trade and Agriculture Ministries will develop a strategy for the promotion of cocoa exports, informed by DTIS recommendations. To promote fisheries exports, Government will finalise legislation for compliance with EU requirements, complete its fish stock assessment, and create an authority for monitoring and control of fisheries activity. With the support of the EU, Government will also establish an authority to ensure compliance of fisheries products with the standards of potential trading partners. Finally, Government has already restructured the Sierra Leone Export Development & Investment Corporation (SLEDIC) into the Sierra Leone Investment and Export Promotion Agency (SLIEPA). This new agency has a narrower focus of promoting exports and investment activities. Government will continue to support the activities of SLIEPA during PRSP-II. With support from development partners, SLIEPA is developing an export strategy for Sierra Leone

9.8 PUBLIC DEBT MANAGEMENT STRATEGY

Public debt comprises public and publicly guaranteed external debt amounting to about US\$580.1 million in June 2008, and domestic debt, including arrears owed to private domestic creditors and utility arrears, totalling Le1.2 trillion by end September 2008. Prior to reaching HIPC Completion point in December 2006, the external debt burden accounted for about 58% of total public debt, but this structure has changed significantly. Domestic debt now accounts for 70% of the total public debt; it poses a more serious challenge to macroeconomic management.

9.8.1 EXTERNAL DEBT STRATEGY

Sierra Leone reached completion point under the enhanced HIPC Initiative in December 2006. In line with the arrangements under the Initiative, the country benefited from substantial debt cancellations from the Paris Club, non-Paris Club, and Multilateral creditors. The total estimated debt relief under the enhanced HIPC Initiative worth nearly US\$904 million. Added to this, the country also benefited from MDRI debt cancellation amounting to about US\$609.9mn from the IMF, IDA and ADF creditors. This brings total debt relief cancellation to about US\$1.6 billion; assuming that external commercial creditors will deliver their share of debt relief. Table 19 summarizes the composition of external debt from 2005 to end June 2008. The delivery of debt relief by both multilateral and bilateral creditors is reflected in the significant reduction in the debt stock from around US\$1.7 billion in 2006 to US\$580.1 million by June 2008.

Post-HIPC debt management is an integral part of the overall macroeconomic management in Sierra Leone. The thrust of the management strategy is to maintain debt sustainability and avoid relapse into huge debt overhang that will constrain future development of the economy. The external debt management is of two-fold: (i) how to obtain the full debt relief as calculated at the HIPC completion point, and (ii) how to ensure prudent external borrowing relative to the capacity to meet future debt service obligations.

Table 19: External Debt in Million (US\$ 2005-June 2008)

	2005	2006	2007	June 2008
Multilateral	1,100.7	1,100.7	258.6	288.7
Bilateral (Paris Club)	353.7	350.8	-	-
Bilateral (Non-Paris Club)	55.0	54.5	29.4	37.4
Commercial	254.0	237.8	235.8	254.0
Total	1,763.4	1,743.8	523.8	580.1

Source: MoF and BSL.

Regarding the first, all multilateral and Paris Club bilateral creditors have delivered fully their share of debt relief. A good number of the non-PC creditors have either delivered fully or demonstrated the commitment to deliver the relief. Government will continue to engage these creditors to live up to the commitment as stated in the HIPC completion point document. The serious challenge that faces Government is how to secure full debt relief from commercial creditors. Commercial creditors are often resistant to delivery of debt relief. To secure this, Government has approached the World Bank to utilize the IDA-Debt Reduction facility to address commercial debt which is estimated at around US\$254 million as at June 2008. The Bank is now processing the facility and it is expected to be implemented by end of 2009 to early 2010. In implementation of the IDA-supported second Debt Buy-back programme, Government will urge all creditors to participate in the exercise. However, an alternative to non-participation would be restructuring the debt by lengthening amortization to the extent of a creditor delivering a share of PV reduction of required debt relief.

To maintain future debt sustainability, Government in April 2008, conducted Debt Sustainability Analysis (DSA) to assess the medium to long term outlook of Sierra Leone's external debt situation over a 20 year time horizon. The DSA shows that Sierra Leone's external debt situation remains sustainable in the medium to long term period, although it is faced with a moderate risk of debt distress. With this rating, Sierra Leone is now eligible to access financing of its IDA and ADB allocation on the basis of 50% grants and 50% highly concessional loan, with grant element over 70%. Therefore, to maintain external debt sustainability, Government will:

- Prioritise grant financing over loans, particularly for social sector investments;
- Borrow on concessional terms with grant element of at least 35% with sufficient grace period consistent with the gestation period of any funded project;
- Prioritise sectors to which loan resources are to be directed. Given the present vision of Government, borrowed funds will target infrastructure development and economic sectors;
- Strengthen legal framework and institutional capacity that will clearly define procedures for external borrowing. In this regard, Government will formulate a comprehensive post-HIPC borrowing and debt management act for central and local government, parastatal borrowing including contingent liabilities as well as reporting requirement for private sector debt.

9.8.2 DOMESTIC DEBT STRATEGY

Over the years, while Government has made enormous progress in addressing the external debt overhang, domestic debt poses serious challenge to Government, particularly in the execution of the budget. Domestic debt²⁸, comprising short term government papers, domestic suppliers/contractor arrears and outstanding obligations for utility bills. The domestic debt stock as at June 2008 amounted to Le1,271 billion compared to Le835 billion in 2000, representing a 52.3% increase. Domestic interest rates have remained considerably high and interest payments averaged 18-19% of domestic budget revenue over the last five years. The non-discretionary payment of huge interest has crowded out Government investment in both the infrastructure and in poverty related sectors.

To map out a strategy in the treatment of the debt, domestic debt was part of the April 2008 DSA. The results of the DSA show that Sierra Leone's domestic debt is highly unsustainable owing to a combination of factors: shortfall in domestic budget revenue, shortfall or delayed disbursement in external budgetary support, and continuous rollover of debt instruments at high interest rates. The stock of securitized domestic debt is skewed towards the short term. The debt market is characterised by a limited range of debt instruments and participants. In view of this, reforms are needed to the debt and subsequently debt service burden on Government.

Overall, Government will take measures that lead to:

- Clearing truly verified domestic debt arrears owed to the private sector and state-owned enterprises within the medium term expenditure framework;
- Lengthening the maturity structure of government securities thereby creating cash flow relief on the budget, and introducing 182-day, 273-day, and gradually longer dated instruments of 2, 3 and 5 years;
- Restricting central bank financing of the budget;
- Enhancing the liquidity-forecasting framework, in a bid to improve Government cash management functions, so as to minimise build-up of domestic arrears
- Facilitating the development of a vibrant secondary market by reviewing the current system of discount houses and considering improvements in the distribution channels in the market place.

9.8.3 CONTINGENT LIABILITIES STRATEGY

Over the years, a number of quasi-fiscal agencies, especially parastatals, have undertaken varied financial activities leading to the accumulation of large contingent liabilities with ultimate impact on the national budget. Government policy stance is to discourage MDAs from taking on large financial obligations outside the national budget through the enactment of public debt law that clearly states the procedures for acquisition of such liabilities.

²⁸ Domestic debt in Sierra Leone includes Government 91-day Treasury Bills, 365-Treasury Bearer Bonds, arrears owed to state owned enterprises and to private contractors for goods and services delivered or rendered to MDAs. It does not take into account wage arrears and pension funds (as there are no recorded outstanding pension arrears), with the exception of arrears owed to ex-diplomats amounting to about Le11.2 billion as at end June 2008.

9.8.4 DEBT RECORDING AND REPORTING SYSTEM

One of the key requirements for debt management is to provide accurate and reliable debt data to various stakeholders, particularly to policy makers. Currently the entire external debt data is recorded and reported through the use of the Commonwealth Secretariat Debt Recording System, as part of the medium term activities to capture domestic debt data on software, and to fully integrate both external and domestic debt into the IFMIS system to enhance transparency in the management of the debt. To achieve this, Government will have to develop and establish wide area network connectivity between MoFED (Public Debt Unit and Budget Bureau), the Accountant General's Department and the Bank of Sierra Leone, with specific access level to the software, which will enhance timely reporting of transactions as and when they are made.

10 GROWING THE PRIVATE SECTOR

As approximately 80% of economic activity is in private hands: an essential precondition for achieving high and sustainable economic growth, employment and poverty reduction will be a strong and vibrant private sector. Growing the private sector is conceptualized as deriving from the interrelated influence of five factors, namely, entrepreneurship, investment, productivity, access and functioning, and international linkages. The development of all of these factors is currently constrained by Sierra Leone's poor investment climate. Thus, the core focus of the Private Sector Development (PSD) strategy during PRSP-II will be the following: (i) improving access to finance; (ii) improving the legal and regulatory framework, (iii) promoting and supporting entrepreneurship; (iv) making markets work better; and (v) improving physical infrastructure. These five inputs will significantly improve the investment climate.

This chapter draws from the unaccomplished PRSP-I private sector development agenda and presents strategies to be implemented during the PRSP-II period to promote pro-poor private sector-led growth.

10.1 PRIVATE SECTOR DEVELOPMENT DURING PRSP-I

During PRSP-I, Government recognized the centrality of private sector growth & job creation to its poverty reduction efforts. Goals for economic growth and the promotion of private sector development were set out in Pillar 2 of PRSP-I, and a longer term framework in Government's policy document Vision 2025. Although a comprehensive PSD strategy was not fully formulated during PRSP-I, the desire to create an environment conducive for business in Sierra Leone has found expression in policy initiatives, development of strategies, the proposed restructuring and strengthening of SLEDIC, and the privatization strategy of the NCP. In addition, Government commissioned an Administrative Barriers to Trade and Investments Study, which is ongoing at the beginning of PRSP-II, to address all administrative impediments to investment in Sierra Leone.

The progress made in implementing actions for promoting PSD during PRSP-I is shown in Table 20. Implementation of PSD reforms has been reasonably satisfactory during the PRSP-I. Unfortunately, the PRSP-I targets were not set high enough to address the twin challenges facing the country with regards to pro-poor growth which were:

- Achieving MDG 1, which requires maintaining rates of real GDP growth which would be unprecedented in the country's history.
- Establishing a pro-poor pattern of growth required for rapid poverty reduction which will be difficult as the lead sectors of the economy (mining, construction, telecommunications, etc.) have limited linkages with the rest of the economy and which (with the exception of construction), do not provide large numbers of jobs.

Table 20: PSD Activities Implemented During PRSP-I

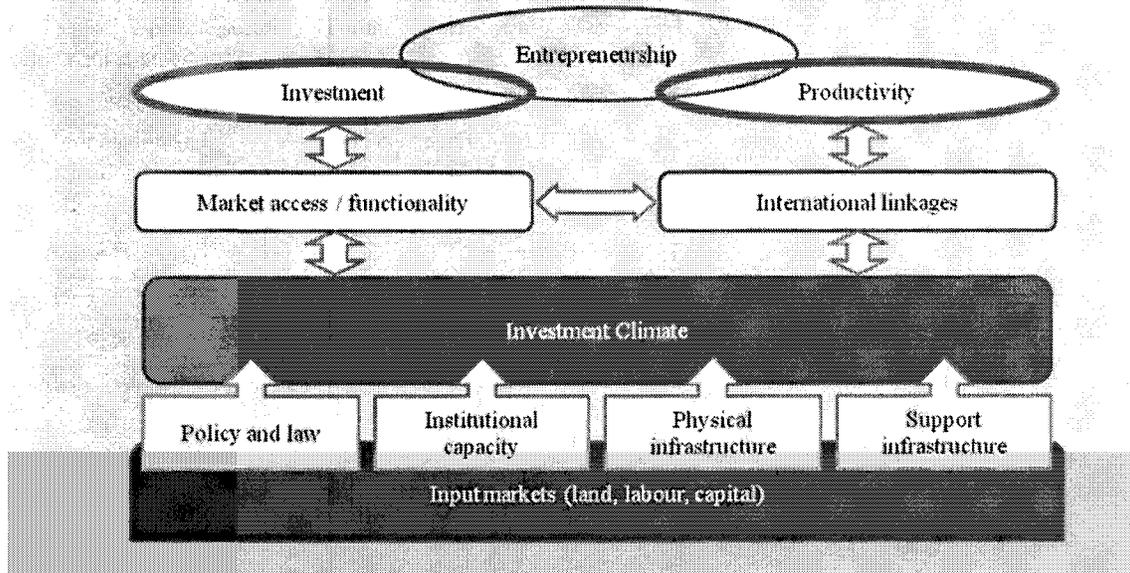
Indicators	Status
Implementation of the Action Matrix under the MTI Integrated Framework (IF)	<p>Two priority projects (on tourism, and trade information network and trade capacity building for the Ministry of Trade & Industry – MTI – respectively) were approved by the Local Project Appraisal Committee in July 2007. Funds have been committed by the IF Trust Fund Manager and implementation of the tourism project by the National Tourist Board has commenced. In addition, four priority projects (Aquaculture, Cultural Heritage Ginger, Chilli and Cashew Nuts) are currently being considered by the Appraisal Committee, with a view to submitting them for funding under the Enhanced Integrated Framework for implementation.</p> <p>DTIS was conducted by end June 2006. Action Matrix for the DTIS was developed in June 2006 to be validated by September 2006.</p>
Formulation of appropriate laws on intellectual property rights and competition policy	<p>Cabinet Paper has been approved. A National Policy Document on intellectual property rights was produced and approved by the relevant stakeholders. A Legal Clinic has been conducted for members of the Bench, Bar and other key enforcement agencies like the Police, Pharmacy Board and the National Revenue Authority. Sierra Leone has submitted its intellectual property rights needs assessment and financial cooperation document to the TRIPS Council of the WTO. Drafting of the appropriate IPR legislation on copyright, trademark, patent and industrial designs is ongoing. A draft bill on copyright has been prepared and validated by the core group dealing with copyright and related rights.</p>
Simplification of administrative procedures and reduction of cost of doing business	<p>Two new legislations have been enacted: the General Law Act (2007) and the Business Registration Act (2007). Enlightening and sensitizing the business community and the public as a whole is ongoing through several publications, both print and electronic.</p>
Restructuring of SLEDIC into SLIEPA	<p>An act establishing SLIEPA has been enacted. A Board of Directors have been constituted and recruitment of staff is ongoing. With donor funding, the construction of the new SLIEPA building is at an advanced stage. Advertisements have been made to fill the senior management position in SLIEPA and interviews have been conducted</p>
Fully functional National Coordinating Committee on Trade (NCCT)	<p>An EU Trade Expert prepared a detailed work plan which details the reconstitution of the NCCT. This has been submitted to the EU for funding under the 10th EDF.</p> <p>In 2007, MTI and NCCT organized a two-day national seminar on formulating Sierra Leone's position vis-à-vis the ongoing EU Partnership Agreement negotiations.</p>
Strengthening Policy, Planning and Research Division of MTI	<p>The Policy, Planning and Research Division has only two members of staff, of which one is TA provided by donor partners. The Director's term of office has come to an end. The Ministry's website is fully functional. Projects, aimed at development of the trade data base, and capacity building, have been developed and are awaiting approval from the LPAC.</p>
Reform of trade-related laws and policy to promote private sector development	<p>The PSD project has produced a detailed "Inception Report", which has been circulated to stakeholders. A national project steering committee has been constituted and has held several meetings. Two recent seminars on financial sector and land use reforms were held. Drafting of IPR legislation is ongoing. Work on reform of Sierra Leone's municipal and sectoral licensing regime has commenced. Development of a Competition Law and Policy is currently constrained by lack of funding.</p>

Action Matrix implementation: investment plans for the agriculture, tourism and fisheries sectors designed	Priority actions have been identified by the relevant stakeholders. The preparation of bankable project documents has commenced
Formulation and adoption of gender sensitive private sector development strategy	MTI in collaboration with Bilateral donors established the Sierra Leone Business Forum to serve as a link between Government and the private sector and at the same time co ordinate the activities of private sector operators
Improved coordination of trade policy formulation and implementation	Collection of national trade statistics as well as the establishment of a website for MTI commenced. The NCCT remained dormant throughout 2006.

10.2 A FRAMEWORK FOR PRIVATE SECTOR DEVELOPMENT DURING PRSP-II

The five factors underpinning the pro-poor PSD strategy during PRSP-II and their interrelationships are graphically shown in Figure 13 below.

Figure 13: A Framework for Pro-Poor Private Sector Development



A Culture of Entrepreneurship - Entrepreneurial risk-taking in the production of goods and services to earn profit, is the driving force for the private sector. Sierra Leone lacks a culture that recognises and rewards entrepreneurship. The level and quality of entrepreneurship is low, which hinders the pace of growth and the speed with which the economy diversifies and grows.

Investment - The rate of investment in Sierra Leone is low and insufficient to sustain rapid economic growth. Private investment is confined to a few sectors. There is a need to increase and broaden the scope of investment to cover a wider range of sectors of the economy to make growth more inclusive. This will require building and sustaining a responsive financial sector.

High Productivity and Competitiveness - Currently productivity is low, especially in the agriculture and agribusiness sectors from which the majority of the poor earn their livelihoods. This makes the country internationally uncompetitive. Gains in productivity and competitiveness are needed for faster growth.

Market Access and Functioning - Government and market failures are pervasive in Sierra Leone. The markets that are particularly important for pro-poor growth are land, labour and capital. The efficient operation of these markets and access to them by the poor are important for pro-poor growth to be encouraged.

Harnessing International Linkages in Trade and Foreign Investment - Although greater trade integration and foreign investment have the potential to accelerate growth and benefit the poor, they need wider enabling conditions to deliver these benefits. Although Sierra Leone is a relatively open economy and is attempting to encourage foreign investment, the potential benefits from greater international integration are yet to be realised. The quality of anti-corruption work will play an important role in encouraging international linkages and therefore foreign investment and trade.

10.3 IMPROVING ACCESS TO FINANCE BY BUILDING AND SUSTAINING A RESPONSIVE FINANCIAL SECTOR

There is general consensus that the financial system plays a pivotal role in economic development, by mobilising funds for investment projects with the highest probability of success. Consequently, a well functioning financial system will promote wealth creation, economic growth and pro-poor development by positively influencing the rate of capital accumulation, efficiency of capital and redistribution of wealth. Efforts have been made to develop a capital market within the last two years: a stock exchange has been established and the appropriate regulatory framework developed.

Unfortunately, but understandably, the financial system in Sierra Leone has been unable to provide adequate support to the private sector. It is currently dominated by a retail banking system that is grossly rudimentary and therefore seriously inadequate to support meaningful investment in growth and poverty reducing activities. Outside Freetown, access to finance among small businesses, the poor, and in agriculture is very limited. Physical barriers to financial sector development posed by weak infrastructure are exacerbated by institutional, administrative, and legal obstacles involved in conducting banking and financial transactions. An even bigger obstacle to the creation of a deeper, more efficient financial sector with wider outreach is the acute shortage of skilled professionals, insufficient technological resources, and a general public that is not well-educated in the products and procedures of a modern financial system.

As retail consumer banking services dominate the sector, other non-bank financial services (such as mortgage, leasing and insurance) remain insignificant. The rural banking network, though nascent, was destroyed during the war, and therefore the institutional infrastructure most suited to addressing rural population needs is poorly equipped to do so. In addition, the capital base of the banks and other financial institutions is also generally small and thus severely constrains their operating capacity. The banks are also unable to mobilise long-term savings that will allow them to provide long-term, larger loans. With these limitations, it is therefore not surprising that even though Sierra Leone experienced strong economic growth in the last five years, the financial sector played a limited role in the process. Government recognizes the importance of the finance-growth nexus, and has therefore placed financial sector development as a major component of the national development agenda. The Government therefore aims to build and sustain robust, responsive, and proper functioning financial institutions over the PRSP-II period. The Financial Sector Development Plan outlines the strategy for achieving this objective.

10.3.1 FINANCIAL SECTOR DEVELOPMENT PLAN

The Financial Sector Development Plan has three overriding priorities:

- The commercial banking system and NASSIT account for the vast majority of the short and long term funds within the financial sector. Their efficient operation and investment of funds is critical to national economic development.
- Microfinance institutions, community banks, and other such institutions provide financial services to rural areas, and for small and informal business activities. Their efficient operation and investment of funds is critical to the objectives of outreach and poverty reduction
- Efficient design and operation of the financial sector environment, and of laws, regulations, national policies, and oversight institutions which constitute the enabling environment for its activity, are essential to facilitate the sector's satisfactory functioning and its contribution to the national goals.

10.3.1.1 COMMERCIAL BANKING SYSTEM AND NASSIT

(a) Commercial Banks

As of December 2007, the 10 licensed banks controlled Le1060 billion in assets (about 10% on average of financial sector assets), Le798 billion in deposits and Le279 billion in loans. While deposits have grown by 31% annually over the past 2 years, loans have grown by only 24%, largely because of high real interest rates driven by Government domestic debt accumulation, high running costs at commercial banks and a lack of effective credit-risk rating facilities. While new banks have enhanced competitiveness significantly, the system is still inadequately competitive and inefficient. Appropriate measures should be taken to strengthen banking supervision, improve the competitive environment, reduce credit risk and encourage more lending. It is also important to address other risks to the financial system, including risk of organised crime and terrorist groups utilising the financial system, or that those connected with organised crime might obtain control of a bank or other financial institution.

Strengthening banking supervision is a top priority - given the recent sharp increases in the number of banks and the variety of new banking products. Moreover, supervision is compliance-oriented at a time when risks within the sector are high, with the bulk of the new banks being small in size with relatively inexperienced staff, and with the high level of non-performing loans within the sector. The community banks, in particular, need more intensive, risk-oriented supervision.

Enhancing banking competition - is already taking place with the entry of new banks which are aggressively attempting to expand market share. There is currently a schedule for increasing capital requirements to US\$5 million equivalent in 2009 to ensure banks are sufficiently strong to compete. Further additional capital increase requirements may be deemed necessary to strengthen all banks.

Facilitating increased commercial bank lending - is the third major strategic initiative to strengthen the banking sector, as there is a concern that at a time of macro-economic stability, peaceful conditions, and improvements in infrastructure, lending is low. The overall banking system loan to deposit ratio was approximately 35% in December 2007, and gross loans have grown considerably slower than deposits over the past three years. Steps will be taken to reduce risk by establishing acceptable instruments to securitize bank loans, and to conduct a feasibility study for a credit reference bureau followed by the introduction of a credit reporting system. The strategy will encompass additional actions to ensure more bank lending, as well as financial sector deepening.

Anti Money Laundering and Combating Financing of Terrorism- Money laundering and terrorist financing are growing concerns for the Government of Sierra Leone. The Financial Sector Plan will develop a strategy and activities to address various loopholes including the abuse in international money transfers and remittances and also trade based money laundering. The role, structure and operations of the Financial Intelligence Unit will be broadened.

There is a further strategic priority in two areas that indirectly strengthen the banking system:

- Strengthening short-term financial markets and monetary policy will contribute to macro-economic stability and to efficiency in the banking system by creating more robust short term investment, liquidity management, and inter-bank market activities.
- Strengthening payments systems to facilitate inter-bank transactions will increase the use of electronic payments, credit cards, and ATM machines, and reduce the costly dominance of cash transactions in the economy.

In 3 to 5 years, the Bank of Sierra Leone's capacity will be developed to provide payments system oversight and facilitate utilisation of new electronic payments instruments, such as credit cards and ATMs for retail transactions. With anticipated assistance from the ADB there will be participation in a regionally oriented program to design and introduce a harmonized Real Time Gross Settlements system to facilitate eventual regional integration. An automatic clearing house may be introduced when the volume of transactions make it cost effective. As improvement and implementation of more efficient payment systems utilising electronic systems increases, there is a risk that such systems can be utilised by organised criminal groups or terrorist organisations. Therefore the risks that these new technologies raise need to be reasonably controlled by appropriate systems and procedures.

(b) National Social Security and Insurance Trust

NASSIT holds the vast bulk of the long-term funds mobilized by the financial sector, and is critical to longer-term economic development. The importance of using these funds prudently and productively can not be over-emphasized. Unfortunately, while private pensions can be approved by the tax authorities, there is little private pension fund activity and no regulatory or legislative framework to underpin it.

NASSIT has important social safety net objectives, while serving about 140,000 members that go far beyond the financial sector. However, it is also already the country's second largest financial institution with total assets of about Le240 billion, an investment portfolio of Le200 billion, and new cash inflows from contributions and investments of about Le90 billion annually. Its size, relative to the economy, places significant constraints on NASSIT's flexibility in terms of its investments, and it is necessarily engaging in substantial reverse term transformation, i.e., turning long-term resources suitable for development investment into short term resources. Due to inadequate support from other venture partners and the capital market, it sometimes takes majority ownership positions in companies which impose management responsibilities outside its primary area of competence.

NASSIT has, to date, been reasonably managed and is in better financial condition than many other national pension entities in Africa. However, it is largely self regulated and supervised and, as for virtually every financial institution, there is probably opportunity, through review by investment experts, to improve investment strategy. The Financial Sector Action Plan (FSAP) recommendations call for reviewing and strengthening NASSIT's strategic planning and investment policy and developing a framework for regulation and supervision of NASSIT. The NASSIT Act would be reviewed. Technical assistance will also be sought to assist NASSIT in accomplishing these actions.

10.3.1.2 STRENGTHENING OUTREACH: MICROFINANCE, COMMUNITY BANKS AND RURAL CREDIT DELIVERY

With up to 75% of the population engaged in economic activities, particularly agriculture in rural areas, rural financial intermediation plays an important role in economic development. Unfortunately, the commercial banks have shied away from providing credit to the agricultural sector, and especially to small farmers, because of the perceived risk and high operating costs of lending to a very large number of small customers.

According to the FSAP, there are approximately 197,000 bank accounts in commercial banks. Sierra Leone had one of the lowest bank branch penetrations in Africa, with one branch serving an average of 200,000 people.²⁹ Credit to the private sector is 5% of GDP, far below the sub-Saharan Africa average of 17%. In addition, agricultural loans account for only 2% of total loans, although agriculture accounts for 75% of current employment and 50% of GDP.

The previous rural bank network was destroyed by the war. The present institutional infrastructure is poorly equipped. Although the recent entry of Pro Credit Bank (which already constitutes 43% of MFI-type deposits and 31% of MFI loans) and, to some extent the new Nigerian banks, may

²⁹ The number of branches has increased significantly since then, and 10 of them are now located outside Freetown.

contribute to addressing this deficiency, commercial banks are not expected to contribute much directly to MFI in the foreseeable future.

The microfinance sector is dominated by 5 large MFIs, which have a 60% market share, and are all owned by donors. They have grown steadily and now have a total loan portfolio of US\$4.8 million dollars and 49,000 customers. However, there is relatively little presence outside the capital city, Freetown, and the number of clients grew by only 14% in 2007. Moreover, the MFIs are not licensed, not yet subject to agreed regulations, not allowed to offer savings products, and may not even be moving much closer to sustainability as they are almost totally dependent on donor financing.

The Post Office Savings Bank, which had deposit taking operations in 17 branches, of which 10 were outside of Freetown, has been suspended since March 2007. Deposits (mostly in Freetown) totalled about US\$523,000, which have not been repaid. Outside of Freetown it had only 343 depositors and total deposits of only Le45 million (US\$15,000). Primary assets are loans to the post office and staff which, if repaid, would amount to about half the total value of deposits.

Four community banks, initially funded largely with loans from BSL, have total loans of US\$737,000 equivalent³⁰ (a 9% market share within the MFI industry), total deposits of about \$1.1 million (a 57% market share), and 5,400 active customers. While the performance of individual community banks differs significantly, as a group, they have non-performing loans adding to 42% of their portfolio and one community bank has 90% of its portfolio nonperforming. Efforts are being made to raise capital from small local contributors, and local Boards of Directors have a strong sense of ownership. Much of the Le5 billion lent to the community banks from BSL on IDA terms is construed by some as *de facto* capital, although it has been invested primarily in buildings and equipment. Unfortunately, prospects for eventually raising Le80 million per bank to meet requirements of the Other Financial Services Act (OFSA) appear challenging.

Other institutions with outreach objectives include the government-owned National Development Bank, which has ceased to operate as it has no funds; the SL Housing Corporation, which engages in limited housing development and finance; and, of course, the informal “osusu” sector which plays an important but largely unquantified role.

Strategy for Microfinance, Community and Rural Credit

Sierra Leone places a high priority on addressing needs in the microfinance, community bank and rural credit sub sector, and Government has designed a three pronged strategy as follows:

- Improving the legislative and regulatory infrastructure
- Improving supervision
- Addressing problems of specific institutions.

Improving the legislative and regulatory infrastructure is an important and urgent strategic objective. Considerable progress has already been made toward drafting prudential and non-prudential regulations for deposit-taking and non-deposit-taking MFIs, and there is the highest priority to finalizing and implementing these regulations. When completed, they will be reviewed in the context of the OFSA. As appropriate, that Act would be amended, or if that would prove inadequate, a separate Microfinance Act drafted and enacted. Recognizing that credit cooperatives

³⁰ MITAF keeps many of its MFI industry statistics in US dollars.

can play a potentially significant role in rural and micro credit, action will be taken to update the Cooperative Societies Act of 1977.

Strengthening MFI and community bank supervision will be a strategic follow-through, concurrent with, and immediately after, finalizing the regulations. BSL does not have a separate MFI supervisory group at this juncture and anticipates directly supervising only those MFIs that will be taking deposits. However, there is intent to encourage some of the stronger existing or future MFIs that meet sound criteria to provide savings services, because there is such a vacuum of services for their target group. BSL welcomes anticipated decisions by the broader financial sector working group to address strengthening of the microfinance association, and considerable effort should be devoted to that. Action will also be taken to review and, as appropriate, refine MFI reporting requirements for both deposit and non-deposit taking MFIs.

Addressing challenges posed by specific institutions is the third major prong in the strategy in this area. Actions will be taken to review the status of the Post Office Savings Bank, vis-à-vis its links with the Post Office. Decisive steps will be taken to either restructure or dissolve it. The National Development Bank has not been under direct BSL supervision and has stopped business operations.

Addressing issues associated with the community banks is, perhaps, the biggest challenge. Rural banks played a critical strategic role in pursuing financial services outreach goals, and their collapse as a result of the war left a serious vacuum. The effort to replace them with community banks is an extremely important initiative. However, there is awareness that BSL cannot continue to establish community banks utilizing its funding and involving its staff directly in governance. An action plan and timetable will be considered for BSL financial and governance exit from these banks and to improve their governance. While looking at other alternatives, there is strong preference to accomplish this through encouraging the respective communities to participate in community bank capitalization and management.

10.3.1.3 STRENGTHENING THE ENABLING ENVIRONMENT

Strengthening the enabling environment, i.e., the legislative, regulatory, and policy infrastructure in which the financial sector operates, is the third major priority. Most of these factors are within the control of the Government and Central Bank, and represent a critically important foundation for facilitating effective functioning of all financial sector players, which is necessary to meet national financial deepening and outreach objectives. The BSL strategy for strengthening the enabling environment focuses on:

- Strengthening the Central Bank infrastructure.
- Establishing preconditions in the broader enabling environment.
- Strengthening the supervision of licensing, prudential controls, and implementation of internal controls in financial institutions risks related to money laundering and terrorist financing, including establishment of a Financial Intelligence Unit within BSL.

Strengthening the Central Bank infrastructure is already underway. The first action is to recapitalize the Central Bank to satisfactory levels within 3 years. This will be accomplished, in part, by payment of some of the non-interest bearing debt owed by government that is presently on

the BSL balance sheet in the form of interest bearing securities. These securities will also be utilised to augment open market operations. In addition, the Government will recommit itself to ensuring BSL operational independence.

As reforming the legal infrastructure is a critical contribution to strengthening the Central Bank and its role, there will be steps to ensure that a thorough review is undertaken of the key legislation, i.e., the Bank of Sierra Leone Act, the Banking Act, Other Financial Services Act, and the Anti-Monetary Laundering Act of 2005. Pursuant to the OFSA, regulatory guidelines will be prepared and issued on permissible activities for commercially oriented nonbank financial institutions with separate regulations for deposit-taking and non-deposit taking institutions. Implementation of the AML Act will include CFT and regulations.

Preconditions for effective financial sector functioning within the broader environment are being addressed in greater depth by the Financial Sector Working Group which hopes to finalize a broader financial sector strategy within the next several months. It is recognized, of course, that the financial sector is fundamentally dependent on a supportive and facilitating enabling environment in a myriad of areas.

BSL's capacity within the financial sector to affect outcomes in these other areas is constrained. Therefore, the strategy focuses on preconditions in only three areas that have particularly high impact on financial sector soundness, diversity, efficiency, and outreach. These are:

- **Land law reforms:** With respect to land, there will be focus on (i) finalizing and enacting a Law on Commercial Use of Land; and (ii) helping to address the need to carry out cadastral mapping, strengthen titling systems, and foster formalizing property rights.
- **Strengthening the credit disciplinary environment to reduce credit risk:** In this area the priorities are to help establish an enhanced, effective, commercial court system for contract enforcement, as well as introduce limited non court self-enforcement mechanism for mortgages and other secured transactions
- **Strengthening the company legal infrastructure:** Finally, there is a need to help strengthen companies and, hence, their ability to raise funds from the markets and banks by assisting in (i) finalizing and amending the Companies Act; (ii) strengthening company registrar, valuator and real estate regulator capacity; and (iii) developing an action plan for enforcement of International Financial Reporting Standards and improved accountancy training.

10.4 IMPROVING THE LEGAL AND REGULATORY FRAMEWORK

The objective of the GoSL is to ensure that a regulatory framework is in place which facilitates the establishment of private business, allows for the effective enforcement of contracts, safeguards the profits of entrepreneurs, and protects the rights of consumers.

The ease of doing business in Sierra Leone has improved significantly over the last year according to the World Bank Survey of Doing Business 2009. Sierra Leone moved up the overall rankings to 156 from 163 in 2007. From Table 21 below, out of the 10 categories ranked, Sierra Leone improved on 4 but declined in 5, while there was no change in one of the categories. The Private

Sector Strategy and PRSP-II will focus on measures that will significantly lift Sierra Leone from the bottom rankings.

Table 21: Ease of Doing Business Ranking 2009

Measure	Doing Business Rank		Change in Rank
	2008	2009	
Overall Ease of Doing Business	163	156	+7
Starting a business	94	53	+41
Dealing with construction permits	171	169	+2
Employing workers	173	173	0
Registering property	175	163	+12
Getting Credit	141	145	-4
Protecting Investors	49	53	-4
Paying Taxes	154	160	-6
Trading Across Borders	133	132	+1
Enforcing Contracts	139	141	-2
Closing a Business	144	145	-1

Source: Doing Business survey 2009

Government will continue to make starting a business relatively easy through activities including:

- Providing a legal environment that ensures Intellectual Property Rights law is upgraded to international standards.
- Improving the company, bankruptcy and licensing laws by finalizing the new Companies and Bankruptcy Acts, and addressing the regulatory constraints to entrepreneurship utilizing the ongoing Administrative Barriers Project.
- Increasing security of title to land by establishing the regulatory framework for an effective land titling system.
- Streamlining customs procedures to reduce the cost and time of trading across borders.
- Establishing competition and consumer protection regimes.
- Improving contract enforcement by establishing the legal framework for a set of commercial courts.

10.5 PROMOTING AND SUPPORTING ENTREPRENEURSHIP

The limited level and quality of entrepreneurship in Sierra Leone is a critical constraint in promoting pro-poor growth. There are few innovative entrepreneurs who are able and willing to diversify and invest in the productive sectors of the economy. The productivity of resources is further undermined by a lack of investment in complementary capital, and the low scale of operations in most sectors. The Government will therefore focus on the following in order to relieve these constraints:

- Facilitating the establishment of a Private Sector Development Foundation as an umbrella organisation for all the major private sector organisations in Sierra Leone. A similar umbrella organisation will be established for micro- and small and medium scale enterprises.
- Providing support for programmes that improve business skills and deepen the market for business development services, such as accounting, business planning, legal, and development of businesses.
- Implementing the UNIDO/Agricultural Fund Enterprise Development and Investment Promotion Programme.
- Instituting an effective image building promotional campaign abroad that would project Sierra Leone as an attractive location for investment.
- Developing the capacity of the Chamber of Commerce, Sierra Leone Association of Manufacturers, and other relevant business associations.
- Improving the provision of Business, Technical & Vocational Education and Training, and investigating including “entrepreneurship” in the education system.
- Utilising the ongoing “Opportunities for Sustainable Youth Employment in Sierra Leone” project to examine how labour market access for young people can be expanded.

10.6 MAKING MARKETS WORK BETTER

Several markets in Sierra Leone are constrained by both market and government failures that limit their efficiency and competitiveness. In several of these markets, Sierra Leone has international competitive advantage. GoSL has already identified some markets in such a situation, such as oil and palm oil, whereas other potential markets could be tourism and fisheries. GoSL will focus on:

- Implementing “Making Markets Work Better for the Poor” schemes for identified markets with potential.
- Promoting increased efficiency of agricultural value chains in food crops including an increase in value addition and produce quality as well as increased efficiency of agriculture value chains through research.

10.7 IMPROVING THE PHYSICAL INFRASTRUCTURE

Current rates of national investment of 10-15% of GDP need to increase by a large amount to sustain rapid growth. Unfortunately, the lack of physical infrastructure is an impediment to growth. Improvements in the transportation network will reduce the cost of transport for private business, while improvement in the public electricity supply will lower private sector operating costs.

A further feature of this investment which is particularly salient for PSD is investment in market centres, i.e. markets and bazaars for local goods, which are major centres of economic activity in the urban centres. Poor market infrastructure leads to inefficiency in the wholesale and retail trades. An objective for PRSP-II is for Government to enable dialogue between the municipalities, which have oversight responsibility for local markets and business associations, on how to improve this infrastructure, and provide the necessary funding.

11 FRAMEWORK FOR EFFECTIVE MANAGEMENT OF NATURAL RESOURCES

Sierra Leone needs to effectively manage its natural resources to ensure that revenue generated can be invested in human capital and infrastructure. Findings show that some countries with abundant natural resources have tended to have relatively low rates of economic growth, social development and political stability, ultimately undermining their ability to reduce poverty. This is primarily due to inadequate and ineffective management of their natural resources. This chapter will therefore focus on how Sierra Leone will ensure that the framework for development of the tourism, mining and forestry sectors will complement the Government's effort to reduce poverty.

11.1 TOURISM AND ECONOMIC DEVELOPMENT

Sierra Leone is characterized by sea, mountains, islands, lush vegetation, fascinating wildlife, and a rather peculiar cultural melange and history that link it to the African Diaspora. This topography and the history, which shapes it, constitute the bedrock for a vibrant tourist industry.

Building on this foundation, from the 1970s Sierra Leone developed a thriving, but small, tourism industry. However, the conflict in the 1990s brought all leisure tourism to a halt. Many of the facilities were destroyed or badly damaged. In the world tourist markets, peaceful Sierra Leone was transformed into a war zone. The current challenge facing the nation, and indeed the burgeoning but flagging tourism industry, is how to rebrand and repackage Sierra Leone as a peaceful haven for tourists.

Although the tourism industry has partially recovered from the devastating effects of the war, it is still largely limited to business, 'official' tourism, and 'Visiting Friends and Relatives' (VFR). What needs to be revived is holiday/leisure tourism—a universal growth booster—not business or official tourism.

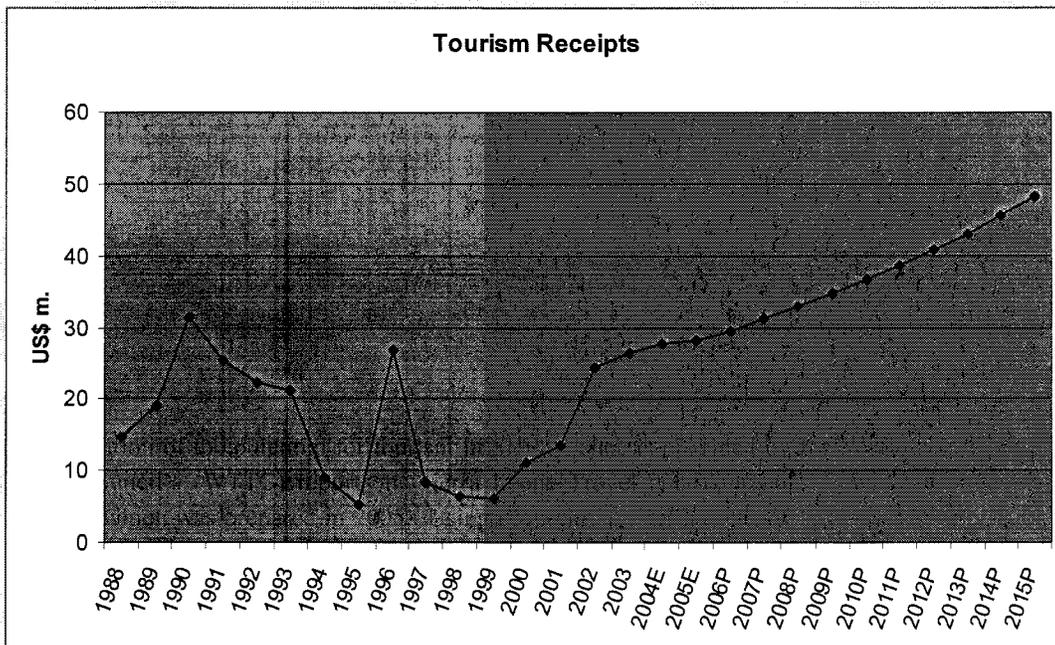
11.1.1 POTENTIAL FOR DEVELOPING TOURISM

The major asset for the development of the tourism industry in Sierra Leone is the country's natural beauty, particularly the unique setting of the Western Peninsula, with its pristine beaches, mangroves and lagoons, against the backdrop of the natural rainforest along the mountains. Further to this, the biodiversity of the forest reserves and protected areas within the country bear potential for development, which remains untapped. Finally, there is a potential for the development of a niche market, by attracting tourists to historic places, such as Bunce Island.

Tourism has the potential to offer a substantial contribution to the economy through foreign exchange earnings, contributions to GDP, and Government tax revenues. In addition, at both the personal and household levels, tourism can contribute through increased income and employment (jobs involving both genders that are full-time and part-time) for those who participate both directly and indirectly in the industry.

An illustration of the potential for tourism in Sierra Leone is provided by the World Tourism and Travel Council's (WTTC) report on 'Sierra Leone Travel and Tourism – Sowing the Seeds of Growth', which was prepared in 2005. Using economic modelling, the WTTC presents a possible forecast of tourism receipts (visitor exports) through 2015.

Figure 14: WTTC Projection of Tourism Receipts in Sierra Leone



Note: E = estimated, P = projection
Source: WTTC (adjusted to 2005 prices)

The above projection is not based on concrete available data. Even so, the chart indicates what might happen through to 2015 with steady growth in tourism. The WTTC projections, which are based on 2005 data, suggest that tourism receipts (visitor exports) could approach US\$50 million by 2015. Put differently, leisure tourism would experience a boom by the year 2015.

11.1.2 CONTRIBUTION TO POVERTY ALLEVIATION

The development of tourism will contribute to pro-poor economic growth by facilitating diversification and encouraging the potential for private sector development and employment generation. The sector can contribute to the country's capacity to generate foreign exchange, government revenue and employment. A vibrant tourist sector would directly stimulate the economy through job creation—skilled as well as unskilled—in the construction industry, fishing, agriculture, fashion, arts and culture. The bulk of the employment opportunities will be in the informal sector where the majority of those classified as poor make their living.

11.1.3 CHALLENGES TO BE ADDRESSED

Given the recent history of conflict in Sierra Leone, there are multiple challenges to be addressed in re-launching the tourism sector. The principal challenges are:

- Perception in the source markets of Sierra Leone as a conflict zone;
- The undeveloped nature of tourism;
- Installing Sierra Leone as an attractive destination on the global ‘tourism map’;
- Mismatch between quality of available accommodation and likely demands from the source markets;
- Inadequate infrastructure and public services;
- Conservation of the remaining natural rainforests, mangroves and pristine beaches;
- Improved management of current and future protected areas.

11.2 ENHANCING THE CONTRIBUTION OF MINING TO ECONOMIC AND SOCIAL DEVELOPMENT

Mining is currently Sierra Leone’s second most important sector, after agriculture, in terms of employment and income generation, with an estimated 300,000 people directly employed in the sector. The sector contributes to economic development through export earnings and public revenue. The export of minerals contributes around 80% of the total value of domestic exports, with diamonds alone contributing more than 60%. The sector contributes to revenues of the government through taxes on the mining companies, export duty on diamonds, royalties and license fees. Large mining companies pay surface rent, annual lease rent, shipping/port charges, and royalties. Additionally, with an improvement in the environment for artisanal mining, alluvial diamond and gold production could increase due to higher resource recovery and processing efficiency.

The mineral sector in Sierra Leone is made up of three sub-sectors: a) large-scale production of non-precious and precious minerals — rutile, bauxite, and diamonds, with the potential for Sierra Leone to once again be a major global producer in rutile; b) mechanized small-scale mines, mostly diamonds; and c) artisanal production of precious minerals — diamonds and, to a much lesser extent, gold.

Large-scale mining operations in Sierra Leone are foreign-owned: Sierra Rutile Ltd. in rutile, Sierra Minerals Ltd. in bauxite and Koidu Holdings Ltd. in diamonds. There are very few Sierra Leoneans who have the financial capacity to fund prospecting and exploration activities. To assist mining communities, some proportion of mining revenues from the diamond export levy is given to the mining areas and communities for their development through the Diamond Area Community Development Fund (DACDF). The amounts distributed to various chiefdoms have been very welcome and are being used for various development projects.

Artisanal mining operations are usually small in scale and are carried out by miners with very little capital using rudimentary equipment. Artisanal miners are mostly poor people who receive support from various sources usually in the form of mining tools and food to miners and their families. Health, environmental and a multiplicity of social problems abound in mining areas.

The Government policy is to ensure that optimal benefits are secured from mineral wealth to support national economic and social development, and the local community from which minerals are extracted. In this regard, mining laws and regulations are being reviewed with the objective of maximising benefits to the Sierra Leone economy and to mining communities. This would also include changes in the institutional structure of the Ministry of Mines. Sierra Leone has good potential for mining and expectations of additional discoveries of mineral deposits. Table 22 below provides a summary of the current potential.

Table 22: Mining Potential of Sierra Leone

Mines	Annual production	Production value (US\$ million)	Direct Employment	Indirect Employment
1 rutile mine	200,000 tons	@ \$500 / tonne = 100	2,000	10,000
2 bauxite mines	2,500,000 tons	@ \$26 / tonne = 65	2,000	8,000
2 Kimberlite diamond mines	200,000 ct.	@ \$200 / ct. = 40	2,000	10,000
1 gold mine	1,500,000 oz.	@ \$800 / oz. = 120	2,000	8,000
3 Iron ore mines	35,000,000 tons	@ \$100 / ton = 3,500	4,000	20,000
Total		3,825	12,000	56,000

Source: Geological Survey, Ministry of Mineral Resources

The sector faces several challenges ranging from the legal and regulatory framework to capacity constraints. The fiscal regime in the sector is also weak and there are serious capacity gaps in the Ministry of Mineral Resources. Although miners in large scale mining receive welfare benefits from their employers, artisanal miners are left uncatered for and usually have to resort to trade union action for securing minimum benefits. The situation is made worse by the poor relationship between mining companies and the local communities. Child labour and youth conscription are common in mining areas. Due to the influx of people into mining areas, the HIV/AIDS pandemic is more prevalent in these areas.

In the medium term, the Government's objective is to address these various issues in order to ensure that revenue from the sector is maximized, whilst at the same time providing significant socio economic benefits to mining communities. The broad objectives will be to address stakeholder priorities for the sector, which include: land compensation and village relocation; attending to deforestation and solid degradation, sanitation and water pollution; provision of infrastructure; community development and participation; regulations to mitigate the negative impact of blasting; and employment in the mines.

As a first step the Core Minerals policy is being revised and will be incorporated into the revised mining law to be enacted by Parliament. The key objectives of this policy are:

- Minerals are to provide optimal benefits to the country over time, generating a stream of benefits for succeeding generations.

- Exploitation of minerals is to be done transparently and equitably, minimizing damage to the environment, so as to ensure that benefits will accrue fairly to both the communities from which specific minerals are mined as well to the rest of the country.
- The revenues generated from mining are translated into productive assets — both physical and human capital — to fuel long-term growth and development.
- Attract private investment into the minerals sector. Encourage private investment to use the implementation of the Kimberley Process as a positive at the forefront of selling diamonds for peace and development, properly registered by the Kimberley Process.
- Develop and strengthen human resources in the minerals sector.
- Improve the regulation and efficiency of artisanal and small-scale mines.
- Promote improved employment practices, encourage participation of women in the mineral sector, and prevent the employment of children in mines.
- Add value to mineral products, and facilitate trading opportunities for mined products.
- Adopt the principles of the Extractive Industries Transparency Initiative in the mining sector.

The implementation of the new Core Mineral Policy will increase output, employment, fiscal revenues and foreign exchange through (a) revitalising existing rutile, bauxite, iron ore, and diamond mines; (b) promoting the development of an existing pipeline of identified promising deposits; and (c) promoting the exploration of favourable geological target areas to develop and maintain an adequate pipeline of promising prospects that can be proposed to potential investors.

In the more extensive small scale and artisanal sectors the goals are to (a) improve the overall standards of living of the involved communities; (b) to modernise the licensing of all mineral rights with rapid and transparent processing, incorporating an integrated cadastral system, supported by satisfactory monitoring, administration and enforcement of rights; (c) to facilitate mechanisation through establishment of various schemes, addressing financing requirements, cooperatives, and revolving equipment schemes; (d) providing extension services to miners for more selective mining, addressing environmental concerns; (e) providing a training scheme for miners to improve their capability.

11.3 LAND MANAGEMENT AND THE ENVIRONMENT

11.3.1 IMPROVING LAND MANAGEMENT

Ownership of, and access to, land is crucial for effective exploitation of natural resources; it very often paves the way to reach out to other productive resources such as credit, technology, information and energy, because very often land is used as collateral. Historically, Sierra Leone has had a dual land tenure system, wherein Freetown and surrounding areas are governed under a system of freehold, while the provincial areas are considered common property distributed under the purview of the Paramount Chiefs, who are the traditional leaders. The Paramount Chiefs operate a customary land tenure system in a patron-client relationship, whereas the system in

Freetown is ostensibly based on modern contract law and is thereby considered to promote “arm’s length” transactions more amenable to equitable markets. The freehold system does seem to legitimise property tenure, create the opportunities for market transactions, and permit development through outside investment in ways that the Paramount Chief system does not allow. However, the patron-client system offers certain other benefits such as durability in times of state transition.

Since the war ended in 2002, there has been no accurate record of the total damage inflicted on human settlements countrywide. However, various assessments indicate that as at that date around 300,000 houses had been destroyed countrywide. Out of the total population of 4.5 million, the war uprooted approximately 1.2 million people who became either internally displaced persons or refugees in neighbouring countries.

Government has the enormous task of meeting a huge backlog of housing needs, which does not include the recurrent housing requirement. This has been compounded by the erection of new unplanned settlements all over the country. Nonetheless, Government has also carried out regulatory reforms including amending the Town and Country Planning Act to allow the declaration of the whole country as a planning area. To ensure effective environmental management, the Environmental Protection Act has also been passed into law. This law will address issues relating to resource extraction rates and methods.

In addition, the National Housing Policy has been revised to re-define the role of Government as 'facilitator' and 'enabler'. This means that Government's role will be to create a conducive environment for full mobilization of the potential resources of the public, private and community sectors in the housing delivery process. However, a number of constraints for land management have been identified, including the following:

- Inadequate enforcement of the laws, rules and regulations pertaining to transforming the present chaotic state of development in Freetown into a well ordered and efficiently serviced modern city;
- Land grabbing and issuing of land titles within the Western Area Peninsula Forest Reserve, without consensus with other line ministries, while not complying with basic rules of environmental governance;
- Inadequate capacity within the Ministry of Lands, Country Planning and the Environment to carry out its scope of responsibility and meet set objectives;
- Lack of coordination and collaboration between sectors, departments, ministries, donor community and NGOs involved in land use and management;
- Bye-Laws, regulations and standards required for the implementation of the National Environmental Act, 2000 have not been developed;
- Lack of a clear mandate, terms of reference and adequate logistics in the decentralized/ regional planning offices to effectively carry out functions of surveying, environmental management and physical, planning in their areas of jurisdiction.

Government will address these as follows:

- Develop and implement a Land Management Information System and establish ground control points with aerial sensors for proper mapping and triangulation;
- Develop and implement a Land Use Plan at national, regional and local levels;

- Monitor physical development and construction to ensure conformity with planning schemes and take enforcement actions for any contravention thereof;
- Ensure coordination and collaboration between the Ministry of Lands, Country Planning and the Environment and other MDAs to monitor the management of natural resources.

11.3.2 MANAGING THE ENVIRONMENT

Economies are highly dependent on the exploitation of their natural resources – forests, wildlife, biodiversity, soil, water, land, fisheries and mineral resources. The exploitation of these resources when not managed properly eventually leads to degradation of the environment. As the environment degrades the poor people are the most affected.

Deforestation has become a major national environment problem threatening the very survival of the country. This is in addition to the environmental degradation caused by increases in coastal population, urbanisation, tourism, commercial activities and resource exploitation. The prospect of oil would further increase the need for proper structures for managing coastal and marine resources. Additionally, climate change related issues and pollution from various activities and sources are gradually becoming a serious problem that would need to be urgently tackled. There is the compelling need for Sierra Leone to establish proper structures to handle environmental issues countrywide.

Environmental management in Sierra Leone has evolved as series of fragmented institutions over the years both at the national and regional levels; the present institutional framework has proved inadequate as a result of the absence of appropriate structures that will enhance the communication and application of policy issues by the Government. There is also the institutional problem, where several entities interface over environmental management and it is sometimes very difficult to see the synergies and inter-relationships of these institutions. In order to ensure environmental sustainability, as outlined in the MDG 7, Sierra Leone will take steps to address the following:

- Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
- Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.
- Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation.
- By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

A key challenge to reducing poverty in Sierra Leone is to strengthen the linkages between poverty reduction and management of the environment. In the medium term, the Government is focusing on land degradation, deforestation and biodiversity loss, mined-out lands, urban degradation, and pollution and erosion from road construction and urbanisation.

The multi-sectoral nature of environmental issues creates the need to develop and implement strategies that address environment at the national level, and to mainstream them into implementation. The risks of environmental degradation should be limited through the enactment of laws that ensure that the environment is properly managed. As a first step, the Government has established an Environmental Protection Agency (EPA) housed in the Ministry of Lands, Country

Planning and Environment. This agency is mandated to harmonise the legislative, policy and institutional framework for natural resource management. According to the EPA Act 2008, the EPA will specifically:

- Advise the Minister on the formulation of policies on all aspects of the environment and in particular make recommendation for the protection of the environment;
- Prescribe standards and guidelines relating to ambient air, water and soil quality, the pollution of air, water, and other forms of environmental pollution, including the discharge of waste and control of toxic substances;
- Ensure compliance with any laid down environmental impact assessment procedures in the planning and execution of development projects, including compliance in respect of existing projects;
- Act in liaison and cooperation with Government agencies, local councils and other bodies and institutions to control pollution and generally protect the environment;
- Promote studies, research, surveys and analyses for the improvement and protection of the environment and the maintenance of a sound ecological system;
- Initiate and pursue formal and non formal educational programmes for the creation of public awareness of the environment;
- Promote effective planning in the management of the environment;
- Establish a data bank on natural resources management and utilization;
- Impose and collect environmental protection levies in accordance with EPA Act;
- Coordinate the monitoring and implementation of national environmental policies;
- Promote the establishment of national environment standards;
- Conduct Annual Environment Impact Assessments.

Further to the above, the government through EPA will make a concerted effort in complying with the obligations given through its signature to Multilateral Environmental Agreements, including the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Convention to Combat Desertification (UNCCD), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the Ramsar Convention on Wetlands of International Importance.

11.4 ENHANCING THE CONTRIBUTION OF FORESTRY TO ECONOMIC AND SOCIAL DEVELOPMENT

It is often forgotten that apart from the provision of timber and fuel wood, forests provide key ecological services to the people, including the provision of clean water and air. They have important functions in regulating the water cycle and the climate (e.g. rainfall generation) while producing the oxygen we are breathing. Forests further mitigate environmental hazards, such as floods, droughts and heavy storms, while stabilizing and controlling the erosion of the soils. As

such and through their contributions to soil formation, seed dispersal, the pollination of crops and to pest and disease control, natural forests are also key to the country's agricultural production. Last but not least, forests contribute to Sierra Leone's cultural diversity and heritage, while having spiritual and religious values. They are also a major asset for the development of ecotourism.

Sierra Leone's natural rainforest once covered more than 60% of the country. Total current coverage has been reduced to about 3%, mainly in the most remote places. Deforestation has taken place over decades due to illegal logging and timber extraction, fuel wood and charcoal production, land claims for construction, as well as through unsustainable agricultural practices, such as shifting cultivation. Illegal logging and timber trading also contributed to the fuelling of the civil wars in Sierra Leone and in neighbouring Liberia.

In order to secure the forests there is an urgent need to map and make an inventory of the remaining natural high forests in Sierra Leone. The results of these activities, which will be undertaken by a restructured forestry division, will eventually feed into the formulation of a new forest policy and legislation, based on the principles of Sustainable Forest Management. Successively, a clear distinction will be made between Conservation areas, Community forests, and Commercial forests.

While there is an urgent need to conserve the remaining natural rainforests, the Government will also explore possibilities for investment in sustainable financing mechanisms, for example through carbon markets and trading schemes, under the current and future Climate Change protocols, as well as by signing up to future Reducing Emissions from Deforestation and Degradation (REDD) programmes. Experience from other countries shows that the mid- and long-term revenues made through carbon markets clearly outweigh the short-term benefits for the country and its people by giving licences and logging concessions to conventional logging firms.

While seeing the conservation of the remaining natural rainforest as a long-term investment in the livelihoods of current and future generations, the Government will give incentives to stimulate economic and social development through the establishment of community woodlots and investment in sustainable forest management schemes. It is expected that the communities will then not only be able to satisfy their local demand for timber, but also be in a position to trade their timber for commercial purposes.

The future for the commercialization of the Sierra Leonean timber in selective production forest reserves lies in the application of sustainable extraction technologies, while following the principles of the rule of law, governance and sustainable trading, through certified timber markets.

PART FOUR: FINANCING, IMPLEMENTATION, MONITORING AND EVALUATION OF THE PRSP

This section covers the financing requirement for the implementation of the PRSP. The analysis is based on the MTEF scenario and an accelerated poverty reduction scenario establishing the financing gap. The resource mobilisation strategy is also detailed, both from traditional and non traditional sources.

The section also explains implementation strategy, including Government strategy to address capacity required for the implementation, monitoring and evaluation of the PRSP. The monitoring and evaluation framework that will guide effective monitoring is also explained. The section ends by analysing the possible risks that will influence implementation of the strategy.

12 PRSP-II FINANCING REQUIREMENTS: A SUSTAINABLE FISCAL ENVELOPE

12.1 SOURCES OF FUNDS

PRSP-I and PRSP-II represent the overarching development framework to guide Sierra Leone's development process in the short, medium and long terms. One of the key challenges accounting for the partial accomplishment of PRSP-I was the inability by Government to garner the resources needed for public investment in social and physical infrastructure that have positive effects on economic growth and poverty reduction. As the gains and shortcomings under PRSP-I are consolidated along with the new priorities set in PRSP-II, it is recognised that Sierra Leone will continue to face serious challenges in mobilising both domestic and international resources for generating high sustainable growth and poverty reduction. These challenges include attracting sustained capital inflows, including remittances, and ensuring that they are in sectors with high added-valued and strong quality employment impact; improving domestic resource mobilisation through increased savings, higher tax revenue and reduction of capital flight; effective and efficient debt management; and improving trade, market access and aid effectiveness. The financing of PRSP-II will thus be considered in terms of taking appropriate policy actions in the following areas:

- Mobilising domestic financial resources;
- Attracting private capital flows;
- **Sustainable debt financing and external debt relief;**
- Promoting international trade;
- **Increasing international aid flows and technical cooperation for development;**
- Improving public expenditure management.

Government recognises the serious lack of progress in these areas. Bold reforms and policy prescriptions have therefore been articulated in the relevant sections of PRSP-II. In summary however, there is increasing recognition that Sierra Leone, like several other African countries, will need to rely more on domestic resources to finance its development agenda. At below 12% per annum on average, Sierra Leone's performance in mobilising domestic revenue, especially since 2006, is extremely modest and, despite the projected increase from 10.8% of GDP in 2007 to 13.4% by 2010 and 13.7% by 2012, predicated on an improvement in the tax and customs administration and broadening the tax base, this level of domestic revenue effort will be grossly inadequate relative to the country's investment requirements for the achievement of the MDGs. Improvement in domestic revenue mobilisation will therefore remain a key objective of fiscal policy while also recognising the need to stimulate private sector investments by providing incentives including tax breaks. In the current environment also, with personal and corporate incomes still at historic lows, creating fiscal space through increased taxes and/or fees may be problematic.

With the private sector expected to play a larger role in economic development, PRSP-II's reform agenda will be directed at strengthening the financial sector, re-establishing the financial viability and operational performance of public utilities, reinforcing governance and the judicial system, and privatisation of other public enterprises. The poor performance, weak management and lack of financial accountability in most of the state-owned enterprises have been major sources of fiscal vulnerability. Successive governments have felt compelled to bail out these enterprises through implicit subsidies and credits below market rates. Hence, to ensure fiscal sustainability during the implementation of PRSP-II, this potential source of fiscal vulnerability will be eliminated by expediting privatization and/or improving the financial position and corporate governance in these enterprises.

The Government remains committed to a liberal trade regime, largely consistent with the alignment of external tariffs to the ECOWAS common external tariff, and export-oriented sectors will be reformed to improve foreign exchange earnings. The Government will continue to improve external debt financing and management capacity, including conclusion of another IDA-supported debt buyback operation to extinguish long outstanding commercial and pipeline debts, and will avoid non-concessional external borrowing. Government will continue negotiations with non-Paris Club creditors to reach debt relief agreements consistent with the enhanced HIPC Initiative framework and on comparable terms to those granted by the Paris Club.

Expenditure rationalization, including reprioritization from consumption to productive spending, reduction in wasteful spending, and ensuring value-for-money, also represents a promising path to creating the necessary fiscal space for PRSP-II. During the implementation of PRSP-II, fiscal space will be created by continuously reprioritising the government's participation in the provision of key services as may be warranted. As indicated elsewhere in this document, a comprehensive legal and policy advisory framework for engaging the private sector will be crucial, including laws and institutions for BOTs, concessions, guarantees and PPPs. Furthermore, given past experience, Government also recognizes the importance of having a framework for managing unsolicited proposals, an issue that has brought high transaction costs on public investment.

Looking at Sierra Leone's circumstances as outlined above, it is evident that PRSP-II financing will mostly have to rely on donor support if its objectives are to be realised. In this context, a potentially sustainable fiscal profile for PRSP-II is defined in the next section.

12.2 A SUSTAINABLE FISCAL ENVELOPE FOR IMPLEMENTING PRSP-II

Ideally, a broader public sector fiscal profile incorporating the accounts of all quasi-fiscal enterprises provides a more realistic assessment of PRSP-II financing estimates, given that these enterprises are the implementing agencies for the strategy. However, as in PRSP-I, obtaining comprehensive data on their operations still remains a serious challenge and thus inhibits the presentation of a public sector deficit, as opposed to the treasury/budget deficit. More remains to be done in this area.

Consequently, gross financing estimates for PRSP-II are therefore presented in two broad scenarios: a *Baseline Scenario* consistent with the PRGF fiscal profile for 2008 and its medium term perspective, and an *Enhanced Scenario/High Case Scenario/Accelerated Poverty Reduction*

Scenario, consistent with the total financing requirements of PRSP-II. These include costs of programmes and projects that are not covered in the current PRGF medium term fiscal framework but are an integral part of PRSP-II, including active off-budget and anticipated portfolios for filling infrastructure and MDG financing gaps.

Table 24 below represents the baseline scenario that assumes that current trends in donor aid flows (both programme and project loans and grants) will continue in line with the Government's PRGF programme with the IMF. In line with these trends, partners are expected to provide about **US\$445 million** to support the PRSP-II. According to the medium-term macroeconomic and fiscal framework agreed under the PRGF arrangement with the IMF, the economy is projected to grow annually in the range of 5.5-6.5% during 2008-2012. As noted in the growth diagnostics, at this rate of economic growth, Sierra Leone will remain a very low income country even after 10 years. To substantially reduce poverty, Sierra Leone needs to grow at much higher rates. This in turn requires a substantial increase in investment spending in infrastructure and MDG related activities. The accelerated poverty reduction scenario is presented in Table 24 below.

The accelerated poverty reduction scenario assumes that Sierra Leone will receive additional external assistance in the form of highly concessional loans and grants beyond the current MTEF estimates, to fund the additional Poverty Reduction Expenditures. This will enable the economy to grow at a much higher rate than the current projections under the PRGF during the PRSP period. Consequently, Sierra Leone will require almost US\$2 billion for the next three years.

12.2.1 FUNDING GAP

After netting off the resource envelope projected under the PRGF medium term fiscal framework, Sierra Leone requires an additional US\$850 million to fund the programmes and projects articulated in PRSP-II (Table 25). The mobilisation of these additional resources requires a coherent and comprehensive resource mobilisation strategy.

Table 23: Baseline Scenario- MTEF Poverty Estimates (US\$ '000)

Policy Area	Non-Salary,		Non-Interest		Recur- rent		Development Estimates						Total			Grand Total		
	2009		2010		2011		Domestic			Foreign			2009-2011					
	2009	2010	2009	2010	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010		2011	Domestic	Foreign
Strategic Priorities 2009-2011	99,689	111,261	111,261	111,261	111,261	16,400	25,944	29,368	109,841	91,622	135,363	225,930	228,827	275,992	393,922	336,827	730,749	
• Enhancing National Electricity	14,121	16,521	16,521	16,521	16,521	4,453	5,932	6,715	13,409	9,003	8,861	31,983	31,456	32,097	64,264	31,273	95,537	
• Developing National Transportation	21,260	22,092	22,092	22,092	22,092	5,890	9,867	11,169	60,438	45,600	91,754	87,588	77,559	125,016	92,370	197,792	290,162	
• Enhancing Productivity in Agriculture and Fisheries	11,253	13,192	13,192	13,192	13,192	1,758	2,945	3,334	16,549	12,705	17,290	29,560	28,842	33,816	45,674	46,543	92,218	
• Promoting Human Development	53,056	59,456	59,456	59,456	59,456	4,298	7,199	8,150	19,445	24,315	17,458	76,799	90,970	85,064	191,614	61,219	252,832	
Preconditions for achieving the strategic priorities	48,514	54,514	54,514	54,514	54,514	8,012	13,418	15,194	19,231	42,188	19,683	75,758	110,120	89,391	194,166	81,103	275,269	
• Consolidating Peace, Good Governance & security	46,405	51,994	51,994	51,994	51,994	6,902	11,558	13,088	19,231	42,188	19,683	72,538	105,740	84,765	181,940	81,103	263,043	
• Growing the Private Sector	887	1,090	1,090	1,090	1,090	267	447	506	-	-	-	1,154	1,537	1,596	4,287	-	4,287	
• Building & Sustaining a Responsible Financial Sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
• Framework for Effective Management of Natural Res.	1,222	1,430	1,430	1,430	1,430	844	1,413	1,600	-	-	-	2,066	2,843	3,030	7,939	-	7,939	
Capacity building, Coordination, Monitoring and Evaluation	4,084	7,725	7,725	7,725	7,725	6,001	9,222	4,323	9,957	7,364	8,618	20,042	24,311	18,864	37,277	25,940	63,217	
Grand Total	152,287	173,500	171,698	171,698	171,698	30,413	48,583	48,885	139,029	141,175	163,665	321,730	363,258	384,247	625,366	443,869	1,069,235	

Source: DACO

Table 24: Accelerated Poverty Reduction Scenario

Policy Area	2009	2010	2011	Total
Strategic Priorities 2009-2011	568,430	414,090	360,850	1,343,370
Enhancing National Electricity	119,150	76,100	61,750	257,000
Developing National Transportation	187,750	123,500	128,750	440,000
Enhancing Productivity in Agriculture and Fisheries	86,900	59,600	48,500	195,000
Promoting Human Development	174,630	154,890	121,850	451,370
Preconditions for Achieving the Strategic Priorities	162,167	139,828	110,190	412,185
Good Governance, Peace & Security	123,862	107,458	93,965	325,285
Growing the Private Sector	17,500	12,000	9,500	39,000
Building and Sustaining a Responsible Financial Sector	2,500	1,500	1,000	5,000
Framework for Effective Management of Natural Resources	18,305	18,870	5,725	42,900
Capacity Building, Coordination, Monitoring and Evaluation	52,650	70,100	41,255	164,000
Building Public Sector Capacity	28,900	52,600	25,500	107,000
Strengthening Parliamentary & Civic Oversight	7,250	6,500	6,250	20,000
Monitoring & Evaluation	16,500	11,000	9,500	37,000
GRAND TOTAL	791,247	616,018	512,290	1,919,555

Source: DACO

12.2.2 MACROECONOMIC IMPLICATIONS OF THE ACCELERATED POVERTY REDUCTION SCENARIO

Assuming that donors honour their pledges at the Gleneagles Summit, foreign aid to Sierra Leone will triple in the next three years. Aid inflows are estimated at 7.4% of GDP in 2008 equivalent to US\$29 per person. According to the Gleneagles Scenario, foreign assistance will increase to 22% of GDP by 2010, which is the amount of resources required to move Sierra Leone out of poverty. A recent study by the IMF on the macroeconomic implications of scaling up aid under the Gleneagles Scenario indicated that the increase in aid inflows will have a significant positive impact on growth and poverty reduction without major and lasting negative effects on macroeconomic stability. However, the absorptive and administrative capacity building challenges will have to be addressed.

Table 25: Estimated financing gap

Policy Area	PRS Estimate			MTEF Estimate			Financing Gap					
	2009	2010	2011	Total	2009	2010	2011	Total	2009	2010	2011	Total
Strategic Priorities												
• Enhancing National Electricity	568,430	414,090	360,850	1,343,370	225,930	228,827	275,992	730,749	342,500	185,263	84,858	612,621
• Developing National Transportation	119,150	76,100	61,750	257,000	31,983	31,456	32,097	95,537	87,167	44,644	29,653	161,463
• Enhancing Productivity in Agriculture and Fisheries	187,750	123,500	128,750	440,000	87,588	77,559	125,016	290,162	100,162	45,941	3,734	149,838
• Promoting Human Development	86,900	59,600	48,500	195,000	34,954	34,954	34,954	34,954	51,946	24,646	13,546	160,046
	174,630	154,890	121,850	451,370	76,799	90,970	85,064	252,832	97,831	63,920	36,786	198,538
Preconditions for Achieving the Strategic Priorities												
• Good Governance, Peace & Security	162,167	139,828	110,190	412,185	75,758	110,120	89,391	275,269	86,409	29,708	20,799	136,916
• Growing the Private Sector	123,862	107,458	93,965	325,285	72,538	105,740	84,765	263,043	51,324	1,718	9,200	62,242
• Building and Sustaining a Responsible Financial Sector	17,500	12,000	9,500	39,000	1,154	1,537	1,596	4,287	16,346	10,463	7,904	34,713
• Framework for Effective Management of Natural Resources	2,500	1,500	1,000	5,000	-	-	-	-	2,500	1,500	1,000	5,000
	18,305	18,870	5,725	42,900	2,066	2,843	3,030	7,939	16,239	16,027	2,695	34,961
Capacity building, Coordination, monitoring & evaluation												
• Building Public Sector Capacity	52,650	70,100	41,250	164,000	20,042	25,311	17,864	63,217	32,608	44,789	23,386	100,783
• Strengthening Parliamentary & Civic Oversight	28,900	52,600	25,500	107,000	12,502	14,108	10,657	37,267	10,398	28,492	7,843	46,733
• Monitoring & Evaluation of PRSP	7,250	6,500	6,250	20,000	840	888	168	1,896	6,410	5,912	6,082	18,404
	16,500	11,000	9,500	37,000	6,700	10,315	7,039	24,054	15,800	10,385	9,461	35,646
Grand Total	783,247	624,018	512,290	1,919,555	321,729	364,258	383,248	1,069,235	461,517	259,760	129,043	850,320

Source: DACO

12.3 STRATEGIES FOR RESOURCE MOBILISATION

Ensuring that adequate financing is available for the implementation of the programmes identified in the PRSP-II period will be crucial for achieving the envisaged growth and poverty reduction objectives. Therefore to finance the funding gap based on the accelerated poverty reduction scenario, the following matrix outlines key strategies for resource mobilisation.

12.3.1 DOMESTIC RESOURCE MOBILISATION

Fiscal policy in the medium term will seek to ensure fiscal sustainability by enhancing domestic revenue mobilization and improving expenditure management.

Domestic revenue will be mobilised through expanding the tax base, transferring all off-budget revenues by MDAs to the Consolidated Revenue Fund (CRF), improving efficiency in both tax and non-tax collection and enforcing compliance. Domestic revenue is projected to increase progressively from 10.8% of GDP in 2007 to 13.7% of GDP by 2012. Scaled-up investment spending in infrastructure, agriculture and energy will boost the economy's growth prospects and hence the tax base.

The NRA modernisation Plan will be fully implemented drawing on recommendations of IMF/DFID technical assistance reports and assessments. NRA will be strengthened to improve on field audits, tax payment enforcement, collection of tax arrears, and stepping up anti-smuggling activities.

Government will fully implement the new Goods and Services Tax.

Government will seek to minimise tax incentives and holidays that narrow the tax base, notably by reviewing existing mining agreements.

Government will assess the extent to which Sierra Leone is deriving optimal benefits from exploitation of natural resources.

12.3.2 EXTERNAL RESOURCES

Traditional Sources - Government will focus on mobilising resources through traditional and non-traditional sources. Mobilising external resources will be done through Consultative Group (CG) meetings, Donor Round Tables for specific sectors, and bilateral contacts. The strategy will focus on expanding the existing donor base and developing the capacity to negotiate donor agreements.

- **CG Meetings and Round Tables:** A CG meeting will be held to present PRSP-II to partners for funding the gaps identified. Annual CG meetings will be held to review progress made in implementation of the PRSP, as well as to follow up on commitments and disbursements. To fast track the implementation of the strategic priorities, biannual Round Table discussions will be held for Energy, Roads and Agriculture. This will afford Government the opportunity to mobilise additional resources where funding gaps exist.
- **Multi Donor Trust Fund:** To facilitate the harmonisation of donor activities and alignment to the Government's priorities, the Government has encouraged the United

Nations Country Team to establish a multi-donor trust fund to support the PRSP. The trust fund will streamline procedures that will improve on the delivery of support especially for basic services. In addition, the trust fund will serve as a funding channel for potential non-resident donors. This will however not preclude other funding sources.

- **Vertical Funds:** Government will explore the possibilities of attracting support from foundations and global funding initiatives. Currently Sierra Leone receives support from the Global Funds for HIV/AIDS and Malaria, the Education Fast Track Initiative, and the Peace Building Fund. The Government will maintain good relations with these institutions while intensifying efforts to mobilise funds from other vertical sources. In the event that a gap is identified within a specific sector, global funding initiatives that support activities within those sectors will be targeted as potential sources to fill those gaps.

Non Traditional Sources - Given the recent global financial crisis, Government will explore non traditional avenues to mobilise resources for funding the PRSP. Specifically, the Government will explore the following:

- **Maximizing the benefits of Private Sector Participation:** Despite the progress made in improving the climate for doing business, Sierra Leone has a poor record of involving the private sector, especially in financing, operating and maintaining the key drivers of growth and poverty reduction. This is especially the case in infrastructure. The shift in government policy to rely on the private sector for financing development is therefore central to expanding the resource base to adequately support PRSP-II activities. As a result of the Government's sustained drive to attract the private sector, various options of engagement must be explored and large private sector projects encouraged, including Build-Operate-Transfer, which will certainly require a special BOT Law, and Public Private Partnership projects. There are opportunities for realising these options in the power, water, road, port, airport and telecommunications sub-sectors; projects range from green-field to concessions and divestitures. Arguably, involving the private sector can have many benefits, including stronger incentives for more efficient performance, access to capital and external markets, and an improvement in skills, management and technologies.
- **Policy and regulatory framework:** As Government takes steps to increase meaningful private involvement, it is acutely aware that private sector participation without a good policy and regulatory framework will not improve sector performance. Effective private sector participation therefore poses a number of challenges for the government as it seeks to transform its role from exclusive financier, owner, and operator to that of a facilitator and regulator of services provided by private enterprises. Another challenge is ensuring that implicit contingent liabilities of the government in partnering with the private sector are not translated into actual expenditures and bailouts of unsatisfactory projects.
- **Improving Sierra Leone's Country Policy and Institutional Assessment:** To access increased financial resources from the World Bank and African Development Bank, Sierra Leone will implement measures that will improve its rating on the World Bank Country Policy and Institutional Assessment (CPIA). Currently, the overall CPIA score for Sierra Leone is 3.1 out of a total of 6.0; as a result, Sierra Leone is classified as a Weak Performer. Of the 16 clusters graded, Sierra Leone receives a score of 3.5 and above on five clusters (macro-economic management, fiscal policy, debt policy, trade, and quality of budget management). Government will continue to put mechanisms in place that will

improve performance in those clusters. However, more effort will be placed in improving the scores for the clusters where the country's score is 3.0 or below. Government is committed to improving the CPIA scores as an increase in CPIA ratings will exponentially increase the resource allocated to Sierra Leone by the World Bank and African Development Bank. Similar efforts will be made to access resources under the United States Millennium Challenge Account.

- **Exploring Carbon Trading Potential:** Carbon sequestration will be explored as a means of mobilising resources as well as cutting back on emissions. Currently, with over 2.7 million hectares of tropical forest, deforestation rate is estimated at 19,400 hectares per annum. The potential fiscal space accruing from halting deforestation at the rates of 10 to 50% is estimated at US\$3.9 to 19.4 million³¹. The Government will therefore explore the possibilities of carbon trading that will provide economic benefits as well as meet the country's obligations in terms of protecting the national forest.

12.3.3 RE-PRIORITISING PUBLIC EXPENDITURES

Fiscal policy over the PRSP period will aim at limiting debt-creating domestic financing while stepping up investments in infrastructure (energy and roads) and agriculture.

The Government will aim to make gradual increase in poverty-related expenditures from 3% of GDP in 2007 to 6% by 2010, targeting improved access to basic social services (health, education), and public utilities (water, electricity, feeder roads).

³¹ "Is Carbon Trading a Potential source of Development Finance in Africa?" UNDP Regional Bureau for Africa, Abdulai Sireh-Jallow.

13 IMPLEMENTATION, MONITORING AND EVALUATION

The Government of Sierra Leone is committed to the decentralised implementation of PRSP-II, enabling each District to engage closely with its population and serve specific local needs to achieve poverty reduction. PRSP-II enables District Councils, along with other important local organisations, to tangibly impact local delivery of policy objectives. This will be achieved through District Working Groups (DWGs) where representatives from the District Council, the Paramount Chiefs, local representatives of MDAs, CSOs and other selected parties will meet to debate local cross-sector issues. Local monitoring and evaluation of the PRSP-II Results Framework will empower districts to influence local delivery and provide transparency on the progress towards poverty reduction for both local and national decision-makers.

Coordination will be a key challenge to the decentralised implementation of PRSP-II. At the policy level, coordination across Ministries is led by Cabinet, and coordination between GoSL and development partners is led by the Office of the President through quarterly meetings of the Development Partnership Committee (DEPAC). At the operational level monthly meetings of the National Technical Committee (NTC) will be led by MoFED. At the implementation level, national cross-sector coordination is led by Cluster Working Groups (PWGs), and local cross-sector coordination is led by DWGs. The PRSP Working Groups include representatives from GoSL MDAs, development partners, and CSOs and are facilitated by the Ministry of Finance and Economic Development.

13.1 STRATEGY TO DISSEMINATE INFORMATION

A key lesson learned during the implementation of PRSP-I was the general public's lack of adequate understanding of the PRSP's contents, processes and impacts. Quite often ordinary citizens viewed the PRSP-I as a separate project, distinct from other on-going initiatives within their localities. Even though the majority of the population was aware of the Government's efforts to reduce poverty, the linkages between sectoral projects and the overall PRSP framework was not clear.

In this regard, and to improve knowledge and understanding of PRSP-II, the Government will embark on an intensive sensitisation of the PRSP-II processes and outcomes. To this end and in line with the Government's overall strategy of inclusion, under the leadership of the Ministry of Information and Communication, the Government will develop and implement a National Communication Strategy. This strategic framework will do the following:

- Strengthen national communication capacity within Government and other key stakeholders for long term effective dissemination of public information for sustainable development;
- **Improve citizens' access to information and free exchange of public information;**
- Promote the active involvement of Civil Society in the dissemination of public information.

Specifically within the PRSP-II framework, information will be continuously disseminated through regular monthly discussions related to the PRSP. In addition, PRSP school clubs that have been established in some schools will be expanded to cover all districts. These clubs will conduct quarterly debates on PRSP related issues.

13.1.1 DEVELOPING INFORMATION COMMUNICATION TECHNOLOGY

There is increasing recognition of the linkage between poverty reduction and Information Communication Technology (ICT) especially in post conflict countries like Sierra Leone. ICT is a strategic economic resource in the emerging e-economy and globalisation. As societies become more interconnected and integrated, the availability and accessibility of quality, modern and affordable communications is crucial to eradicating poverty, sustaining economic growth and development of vibrant and dynamic private and public sectors.

In Sierra Leone, the extensive use of the mobile phone has facilitated the integration of rural areas into the global economy. Mobile companies were estimated to have invested over US\$125 million in the country, creating thousands of jobs and facilitating development activities in commerce, education, agriculture, health and security. Through the use of solar panels, the Ministry of Information and Communication intends to expand internet services throughout the country, including the rural areas. A pilot programme has been implemented in the Bombali District, and this will be extended to all districts during this PRSP II period.

These progress notwithstanding, there are enormous challenges facing ICT development in Sierra Leone. These include:

- Lack of comprehensive policy and regulatory framework
- Inadequate ICT and supporting infrastructure
- Insufficient skilled human resources
- The application of e-commerce and e-government.

In response to the above challenges, the GoSL, in the medium term, intends to focus on the following:

- Develop and implement a National ICT policy that will create the enabling environment for ICT development.
- Introduce Code Division Multiple Access Telephone system that will ensure telephone and Internet coverage for most parts of the country.
- Strengthen the Directorate of Communication in the Ministry of Information and Communication.
- Putting in place a proper mechanism to construct Fibre-Optic infrastructure.
- Integrate the Post Office's traditional services with ICT in urban and rural areas.
- Strengthening e-Government in public service delivery.
- Strengthening Open Government Initiative (OGI) to enhance the accountability and transparency of the three key state institutions: the Executive, the Judiciary, and Parliament.
- Supporting regional ICT initiatives within the frameworks of ECOWAS, UNECA, etc.
- Implement the second phase of the National Communication Strategy.

13.2 BUILDING CAPACITIES TO IMPLEMENT, MONITOR AND EVALUATE THE PRSP-II

Weak capacity in public sector institutions will be a major challenge to the implementation, monitoring and evaluation of PRSP-II. The capacity of government institutions has been in serious decline for decades, and has further degraded as a result of the civil conflict. Consequently, acute shortages of required expertise and poor motivation are pervasive in government institutions. Therefore, to ensure that government institutions can carry out their mandates, post conflict reconstruction relied heavily on commissions and PIUs that bypassed the public service. The current situation now requires the gradual phasing out of these arrangements and replacement by longer-term support that strengthens the ability of government to formulate and coordinate development policies as well as deliver basic services on a sustained basis. The Government will therefore develop a comprehensive capacity building programme that will address these issues. The programme is based on the areas discussed in the following sections.

13.2.1 STRENGTHENING THE CIVIL SERVICE

Strengthening capacity across government, including local government, is extremely important as decades of poor governance and socio-economic collapse, exacerbated by the war, have led to a public service with weak capacity that hinders effective service delivery. Although some initiatives have attempted to build capacity through public sector reform and decentralization, more effort is required to maintain the momentum and provide proper coordination of the public sector reform agenda.

During the past four years, significant work has been undertaken to lay the foundations for effective reform of the public sector. This has entailed a governance and civil service reform programme geared towards revitalising the civil service, including management and functional reviews to rationalize structures, functions, procedures and staffing in MDAs. Activities have included the introduction of new regulations and rules and a Civil Service Code, a comprehensive pay and grading reform, and the development of a Public Sector Reform Strategy. Cabinet approved a Public Sector Pay Policy Framework in January 2007 and work is progressing on development of a revised grading system and a revised pay structure for the entire public service.

Recently the President took over leadership of the reform process by creating within his office the Public Sector Reform Unit to spearhead the reform agenda. He also delegated responsibility for fast-tracking the reform of the public sector to a number of senior civil servants.

The overall objective of public sector reform is to build sustainable institutional capacity to strengthen and improve the public sector's ability to deliver efficient, effective and accountable services, in order to improve the socio-economic status of the poor. Government's priorities for public sector reform during PRSP-II are as follows:

- **Pay and incentives:** The issue of pay represents a fundamental obstacle to promoting effective reform and capacity development across government. Assistance is needed to create the enabling environment to attract and retain good personnel through an incentive-based remuneration system and improvement of civil service conditions.

- **Records management improvement programme:** Government in 2005 launched a records management improvement programme. Significant progress has been made to improve record management procedures and build capacity within pilot ministries. Government will seek further assistance to complete the work on personnel records improvement and payroll verification and expand the programme to cover the entire public service.
- **Training and human resource development:** The revival of the Civil Service Training College and promotion of cooperation with key external service providers, especially in important capacity areas like procurement, financial management, strategic management and policy development, are urgent Government priorities. The objective is to promote manpower planning, development and staff utilisation in a coordinated and cost effective manner.
- **Reducing staffing levels and introducing measures to mitigate the social cost of retrenchment:** The civil service is over-staffed, particularly at lower levels, where staff often lack basic education, skills and expertise. The size and cost of the civil service will be reduced through various mechanisms including laying-off temporary and casual workers, privatising departments and outsourcing services. The GoSL will therefore seek financial assistance to pursue initiatives that would mitigate the social cost of retrenchment, such as setting up an Enterprise Development and Training Programme, and a Counselling, Training and Information Programme for retrenched workers, and pre-retirement advice.
- **Empowering local councils:** In order to revamp the human resource management system in local government, technical support by way of advice and guidance will be provided to develop capacity in local councils following the lead from the HRMO. The objective is to provide common systems and procedures to those in the central civil service and provide equity. There is also a need to rationalise the use of human resources across MDAs and local councils by ensuring the transfer of existing competent or trainable staff to local government.
- **Strengthening the capacity of the Public Sector Reform Unit:** The new Public Sector Reform Unit, located in the Office of the President, will be strengthened to provide leadership and technical coordination for various reform agendas across government. The Public Sector Reform Unit will also take the lead in preparing a long-term framework, which will provide the basis for coordination and integration of reform programmes within a coherent, dynamic and holistic strategy for public sector reform. Such a strategic framework will establish the linkage between public sector reform and the broader framework of economic and social development, particularly Government's role and responsibilities in poverty reduction.

13.2.2 ENHANCE THE CAPACITY OF PARLIAMENT

In the past, the role of Parliament in relation to the PRSP has been limited to validating the formulation of pro-poor policies and the overall consultative process. Integrating Parliament into the good governance objective of effective civic monitoring and oversight implies the development of Parliament's capacity for oversight and scrutiny. The Parliamentary Service Commission Act, already in place, provides a legal framework for improving the efficiency of Parliament in carrying

out this function. The Government supports its implementation and will also support the following:

- Involving Parliament in the formulation and implementation of policy rather than operating as a ‘rubber stamp’ institution;
- Supporting Parliament in improving the capacity of the Parliament Secretariat, by exposing them to modern management practices;
- Enhancing the capability of newly elected Parliamentarians to engage in better representation, outreach, oversight, and legislative enactment.

Parliament will undertake steps to improve its operational capabilities and effectiveness to strengthen parliamentary oversight of PRSP efforts to create an environment for poverty reduction and to facilitate growth for national development. Strategic activities in PRSP-II which will support this include:

- **Training of Parliamentarians:** With support from various stakeholders and development partners, it is proposed that programmes are designed to familiarise Members of Parliament with Parliamentary operations and procedures. Also, training will be given in skills such as advocacy, debating, lobbying and research for Members of Parliament and parliamentary staff.
- **Strengthening of Parliamentary Committees:** A programme of strengthening of Parliamentary standing and oversight committees will be undertaken through training and relevant capacity building measures, to assist them in effectively carrying out their oversight functions.
- **Developing a Parliamentary research capability:** Introduce measures which will identify the needs, degree and level of support required for the establishment of an effective research capability within Parliament. The necessary architecture and equipment to support research in technical and administrative areas requiring monitoring and oversight will be identified and provided to Members of Parliament and Parliamentary staff.
- **Supporting the Citizen-Parliament Interface:** Reintroduce and reinforce constituency, community outreach and consultation programmes for Members of Parliament, to facilitate contact and dialogue as a mechanism for promoting a Citizen-Parliament interface and interaction.
- **Developing a Public Information Strategy:** Develop and implement a communications and public information strategy for Parliament in order to take parliament and its work and operations closer to the populace (including improved dissemination of texts of laws and improved public accessibility) through information sharing and exchanges.

13.2.3 ATTRACTING EXPERTISE FROM THE DIASPORA

In order to address current capacity gaps in the public sector, the Government is looking to the Diaspora to mobilize expertise in priority areas. To this end, the Government has established a Directorate of Diaspora Affairs in the Office of the Presidency to lead the process. The Directorate will be supported by a newly created Public Sector Reform Unit.

The aim of the Diaspora initiative is to lay the foundation for productive and mutually beneficial partnership between Government of Sierra and Sierra Leoneans in the Diaspora. This will be done through:

- ***Working with the Government to address critical capacity gaps:*** The Directorate will make available the services of at least thirty-five experts from 2009-2011 using the “Trust Fund for Diaspora and Experts in the South”, which provides incentives for experts in priority sectors and programmes identified by the President. Incentives include salaries for those already in public service positions, and full salaries for secondments and other ad-hoc advisory positions, as well as travel and living allowances. Where appropriate, on-line gap filling will also be explored, in order to utilise increased internet access in the country. Significant attention will be paid to ensuring a gender balance in Diaspora professionals and experts from the South. The first year will serve as a pilot, and a thorough review of the Directorate’s outputs will be undertaken by implementing partners at the end of the year.
- ***To consolidate the Diaspora human and economic resources to enhance investment capacity, and strengthen central and commercial banks foreign reserves:*** The directorate will facilitate the buying of state-owned enterprises, stocks, bonds and mortgages through the Diaspora Trust Fund. Formalisation of remittances will also be promoted through (a) remitting funds through the formal banking system (b) leveraging remitted funds to generate income for SMEs and micro finance initiatives, (c) opening foreign currency accounts to enable Sierra Leoneans in the Diaspora to save in-country.

13.2.4 RESEARCH AND DEVELOPMENT

To promote sustainable development and ensure that the requisite technology is available to meet changing world demand, the Government will focus on research and development especially for innovation and technological learning in Sierra Leone. Effective policy to promote technological progress requires a good understanding of how technological change occurs. For a country like Sierra Leone, technological change occurs primarily through learning – i.e. the acquisition, diffusion and upgrading of technologies that already exist in more technologically advanced countries – and not by pushing the global knowledge frontier further. As in the case of the East Asian countries, the Government will focus on technological progress as a source of economic growth. Therefore, Government will focus on Research and Development to promote science, technology and innovation through:

- A shift in the science and technological priorities of the public agencies from basic research to the provision and commercialisation of technological services, mainly oriented towards supporting production process management and quality control.
- Establishment of technology funds to subsidise technological development projects of private firms and training; to promote the development of private-sector technological service providers, thus facilitating the emergence of a technological services market.
- The development of a “national innovation system” that comprises institutions which jointly and individually contribute to the development and diffusion of new technologies,

and which provides a framework within which Government can form and implement policies to influence the innovation process. Such policies may cover areas such as: Access to finance; Human resource development; Adequate basic physical infrastructure; Capabilities within firms; Inter-firm linkages and collaboration; General business services; Demand conditions; Investment climate; Entrepreneurship; and Literacy levels.

As a first step towards developing a national innovation system, GoSL will focus on the following:

- **Human resource development:** general education systems, universities and polytechnics, technical and vocation institutes, education and training, apprenticeship schemes
- **Science and technology infrastructure:** public research laboratories, research associations, research grants, technology centres
- **Information:** networks, advisor centres, consultancy services, specialist libraries, databases
- **Technology import policy:** Foreign direct investment policy; licences.

The implicit science and technology measures include: public physical infrastructure investment; financial and fiscal policies which increase the incentive for investment and innovation; trade and competition policies; public enterprises and public procurement; and regulation notably in relation to intellectual property rights.

13.3 MONITORING AND EVALUATION OF PRSP-II

Monitoring and Evaluation of this medium-term programme will be focused on improving current programmes, increasing efficiency and ensuring effectiveness among MDAs. To this end the focus will be on results. The PRSP-II targets are outlined in the Results Framework and will be part of a comprehensive monitoring system led by GoSL across the country. The Results Framework will inform annual Performance Contracts between the President and MDAs, which will include more detailed in-year targets for quarterly reporting. These targets will cascade downwards to the district level, where most of the collection and reporting of information will take place, thus ensuring targets at all levels are clearly focused on achieving PRSP-II priorities.

13.3.1 MONITORING AND EVALUATION FRAMEWORK

Monitoring and evaluation of PRSP-I were hampered by weak or non-existent M&E capacity at central and district level. Although nascent structures exist at both levels, there is a need to strengthen and build on these foundations. PRSP-II monitoring and evaluation will be guided by five principles:

1. **Development:** promoting success, by recognising strengths and solving weaknesses that will have an impact on the general development of the country.
2. **Results-focus:** emphasizing tangible results towards achieving critical objectives, both strategic and technical.

3. **Transparency:** encouraging full disclosure on activities undertaken and enabling informed decision-making across the country.
4. **Efficiency and effectiveness:** encouraging a value for money approach, co-ordinated into a regular process with timely, non-duplicative deliverables.
5. **Local relevance:** informed by knowledge of localities and delivery organisations, in accordance with decentralised implementation.

PRSP-II will be monitored and evaluated according to these guiding principles, with the PRSP-II Working Groups responsible for ensuring that these principles are adhered to at all stages (see 13.3.1), utilising carefully designed information flows (see 13.7), with monitoring and evaluation tools to enable the process (see 13.5). Progress will be evaluated according to the Results Framework, supplemented by annual Performance Management Contracts for MDAs and up-to-date strategic plans for the delivery organisations.

13.4 KEY M&E AGENCIES

13.4.1 MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Monitoring and evaluation of PRSP-II will be facilitated by MoFED. The Ministry will:

- Facilitate the activities of the PRSP-II Working Groups
- Set up and coordinate the requisite information flows
- Support capacity building for the monitoring and evaluation of the PRSP
- Develop a communication strategy to facilitate greater dissemination of development assistance as well as the activities of the PRSP to the public

13.4.2 CABINET OVERSIGHT AND MONITORING UNIT

The Oversight and Monitoring Unit is responsible for monitoring the implementation of all Cabinet decisions, highlighting constraints that impede implementation, and preparing reports for the attention of the President and Cabinet. It also undertakes periodic assessment of government programmes and projects countrywide.

13.4.3 OFFICE OF THE PRESIDENT: STRATEGY AND POLICY UNIT

Strategy and Policy Unit advisors will represent the Office of the President at Cluster Working Groups and the National Technical Committee, to ensure that the President is fully up-to-date with the progress of PRSP-II implementation, for discussions in the Development Partnership

Committee and other critical forums. The Unit will also manage the quarterly reviews of Performance Management Contracts by the President.

13.4.4 STATISTICS SIERRA LEONE

Statistics Sierra Leone will continue to play the lead role in the production of reliable data for poverty analysis and monitoring. SSL conducted the Integrated Household Survey of 2003/04 which was used in the preparation of PRSP-I. It carried out the Core Welfare Indicator Questionnaire Survey in 2007, which provided useful statistics on progress made in implementation of the PRSP. A Demographic Health Survey was also conducted in 2008.

To ensure the effective discharge of data production and coordination role, SSL would need sustained support to increase its capacity in the process. To improve the National Statistical System, a National Strategy for the Development of Statistics (NSDS) has been recently launched, covering 2008-2012. Implementation of the activities identified in the NSDS is expected to boost the system's capacity, and so SSL's role in poverty monitoring and evaluation. The NSDS articulates the need to improve routine data systems in key service delivery Ministries. It is crucial to support efforts in this direction especially as related to Health, Education and Agricultural statistics, which form the main functions devolved to District Councils. SSL is working to develop strategies to establish Statistical Units in Ministries that have not got one. This is important for strengthening the overall national M&E system and for monitoring poverty and development. It is the responsibility of the statistics system, in which SSL plays a coordinating role, to generate official statistical data through the M&E Unit to monitor poverty.

For the purpose of better PRSP coordination and more timely supply of statistical data, a Memorandum of Understanding has been established between SSL and the Line Ministries.

13.5 M&E TOOLS

13.5.1 RESULTS FRAMEWORK

The Results Framework will be used to track and monitor progress of a mix of intermediate and final indicators. In general the MDAs and District Councils will provide information on the intermediate indicators to measure progress in the various sectors and districts. A number of indicators have been developed for the key sectors and these will be reviewed annually. The outcome or final indicators will be assessed through periodic surveys.

13.5.2 PERFORMANCE MANAGEMENT CONTRACTS

Performance Management Contracts (PMC) are annual agreements signed between the President and Ministers specifying results to be achieved by the Ministry during the reporting period. With the adoption of PRSP-II, the targets in the Contracts will include the key results areas of the current document. They are signed in January and include quarterly progress indicators. Each

PMC is reviewed quarterly using returns submitted by each Ministry on the progress achieved in each result area. The data provided are verified and analysed at the central level and a summary assessment is then presented to the President for discussion with the Ministry involved. PMCs were initiated in 2008 with all Ministries, and will be developed to include other key MDAs from January 2009 in full alignment with PRSP-II priorities.

13.5.3 THE PUBLIC EXPENDITURE TRACKING SURVEY

The Public Expenditure Tracking Survey (PETS) Secretariat in the Ministry of Finance and Economic Development will be strengthened. PETS Surveys have been a useful source of information on the distribution and utilisation of public resources since 2001. The Surveys have been tracking the flow of public resources from the point of budget allocation to their end use. This exercise has the potential to improve transparency and accountability in the use of public resources provided the recommendations from the surveys are implemented on time.

13.5.4 PARTICIPATORY POVERTY ASSESSMENTS AND FOCUS GROUP DISCUSSIONS

Participatory Poverty Assessments (PPAs) will be used to ascertain qualitative progress in the implementation of the PRSP. The PPAs have proved useful in determining people's perceptions of government service delivery in a broad manner, which may include attitudes of government service providers and assessments of their capacity. Focus Group Discussions will be used during implementation to monitor Government service delivery at the grassroots level. They will also be used to facilitate participatory monitoring and evaluation of programmes as the information collected will be used to assess people's perception of progress made in the delivery of priority service delivery areas.

13.5.5 SURVEYS

The review of the implementation of PRSP-I underlined the need for accurate and reliable statistics. To address this, NSDS will be implemented (see 13.4.4). Under NSDS, the following surveys will be conducted: Sierra Leone Household Integrated Survey in 2010; Labour Force Survey in 2009; National Agriculture Census in 2011; Demographic Health Survey in 2008; National Survey on HIV/AIDS in 2010; survey on Foreign Direct Investments in 2009. In addition, periodic data on essential commodities; tourism statistics, education statistics, and fisheries data will be collected. SSL will support Line Ministries in establishing sector data banks.

13.5.6 ROUTINE DATA SYSTEMS

District level information and administrative data collection will play a key role in monitoring and evaluation of PRSP-II. The compilation of data by Ministries and District Councils regularly will

form the basis for assessing progress by the DWGs and the CWGs. Standard formats will be developed and agreed upon for the data that should be generated regularly at a District level.

13.6 IMPLEMENTATION, MONITORING AND EVALUATION REQUIREMENTS

13.6.1 DISTRICT WORKING GROUPS

Each district will have a working group comprising representatives from the District Council, the Paramount Chiefs, local MDA branches, CSOs, SSL, and the Decentralisation Secretariat. The DWGs will meet monthly to collect and collate administrative data at district level, discuss implementation issues relating to the implementation of programmes in the district, and prepare and submit monthly progress report to CWGs.

13.6.2 CLUSTER WORKING GROUPS (PWGs)

CWGs will meet monthly to review the updates from the DWG for their respective sectors, and make recommendations to address the challenges highlighted in the reports. CWG discussions will be based on the four clusters of PRSP-II:

- *Cluster 1 Governance:* PFM reforms, Anti Corruption Agenda, Justice and Human Rights, Decentralisation, Parliamentary and Civic Oversight and Security.
- *Cluster 2 Infrastructure:* Energy, Transportation and Telecommunication.
- *Cluster 3 Productive Sectors:* Agriculture, Private Sector Development, Mineral Resources, Marine Resources, Land management, Urbanisation and Migration.
- *Cluster 4 Social:* Education, Health, HIV/AIDS, Water and Sanitation, Youth and Gender empowerment.

Each CWG comprises representatives from the various institutions that implement programmes within the group as well as the development partners that provide support for these programmes. CSOs and NGOs are co-opted into these working groups as appropriate. The work of each CWG feeds into the bimonthly meeting of the National Technical Committee.

13.6.3 NATIONAL TECHNICAL COMMITTEE

The National Technical Committee comprises representatives from GoSL and selected development partners. The NTC will meet bi-monthly to discuss the issues emanating from the reports from the DWGs and the CWGs and determines the issues to be brought to the attention of the broader Development Partnership Committee between GoSL and development partners. GoSL is represented at the NTC by the Office of the President, the Ministry of Finance and Economic Development, Statistics Sierra Leone, Bank of Sierra Leone, and other MDAs co-opted on a need basis. Development partners are represented by the MDDBS donors, IMF and UNDP.

13.6.4 DEVELOPMENT PARTNERSHIP COMMITTEE

The Development Partnership Committee provides the forum for frank and continuous dialogue between GoSL and development partners on a quarterly basis. DEPAC comprises all MDAs and all development partners. CSOs and other key stakeholders are invited based on the agenda under discussion. The agenda for DEPAC is developed by the NTC. At DEPAC meetings, the progress of PRSP-II implementation is reviewed, and challenges are addressed through consensus-building between the various stakeholders involved in reducing poverty.

13.7 PRSP-II INFORMATION FLOWS

PRSP-II seeks to enhance the flow of information across GoSL, donors, and the general public. Local implementing organisations, both governmental and non-governmental, will contribute critical information to the District Working Group for review. These groups will supply information to CWGs, who will in turn facilitate the national coordination of activities by supplying information to NTC and DEPAC. This will require a co-ordinated effort to strengthen information systems within the country by SSL. The general public will also be encouraged to participate throughout (see 13.7.5). To enable decision-making and evaluate progress in achieving the PRSP-II objectives, there will be a dynamic and rigorous flow of information between the PRSP-II Working Groups.

To ensure that PRSP-II is implemented, monitored and the desired results are achieved, there are five priority requirements:

1. Institutionalising PRSP-II Working Groups
2. Clarifying roles of M&E practitioners and enabling requisite information flow
3. Strengthening capacity of M&E practitioners
4. Developing M&E tools
5. Enhancing participation of the general public.

13.7.1 INSTITUTIONALISING PRSP-II WORKING GROUPS

Working Groups are pivotal to the successful decentralised implementation of PRSP-II. Central GoSL, MDAs, District Councils, CSOs and development partners need to work together to achieve targets, with clarity of roles and deliverables for all parties. The following are planned to address this component:

- Developing or renewing TORs for all Working Groups
- Training for DWG and CWG participants.

13.7.2 CLARIFYING ROLES OF M&E PRACTITIONERS AND ENABLING REQUISITE INFORMATION FLOWS

Clarifying roles of M&E Practitioners and enabling requisite information flows in central GoSL, MDAs, District Councils, CSOs and development partners will promote adherence to the PRSP-II implementation principles and thus improve accountability and transparency in delivery of public services. The following activities are planned to address this component:

- Enactment of national and district M&E policies to define roles and responsibilities of all practitioners
- Production of clear and consistent M&E guidelines to ensure the effective application of policies and concepts
- Development of national and district level M&E databases and information flows.

13.7.3 STRENGTHENING CAPACITY OF M&E PRACTITIONERS

M&E personnel in central GOSL, MDAs, District Councils, CSOs, and other participants in PRSP-II working groups require effective training on fundamental M&E skills, and technical capabilities in data collection, analysis and management where required. The following activities are planned:

- Training for all M&E practitioners on PRSP-II process and tools
- Technical training for relevant practitioners on data collection, analysis, and management
- Provision of data storage equipment and additional resources required for operational success.

13.7.4 DEVELOPING M&E TOOLS

The development of M&E tools, particularly the Results Framework and PMCs, is a matter of priority. The success of these tools relies on ambitious but realistic target setting, which requires competence in project planning and management on the part of MDAs, District Councils and other delivery organisations. These organisations must also be able to manage the routine data systems required to make these tools dynamic and invaluable. This is a significant challenge and will require support from various stakeholders. The following activities are planned:

- Training for delivery organisations in modern project management systems and target setting
- Training for delivery organisations in routine data systems
- Provision of data storage equipment and additional resources required for operational success

13.7.5 ENHANCING THE PARTICIPATION OF THE GENERAL PUBLIC

There is need to enhance the participation of the public in the M&E process through strengthening dissemination of M&E outputs nationwide on a regular basis using the most suitable media. The dissemination techniques will take into consideration the sociological and educational background of the general populace. Addressing this component is important since increasing public awareness is critical for the general public to understand the progress made by the Government in reducing poverty. Thus, the Annual Progress Reports shall be disseminated down to chiefdom level and made reader-friendly by producing different versions for all audiences. The following activities are planned:

- Production of quarterly M&E bulletin
- Printing and dissemination of M&E reports through various media
- Organising regional focus group discussions on M&E results
- Organising media discussions on PRSP-II progress.

13.8 PRSP-II AS A BROADER GO SL MONITORING AND EVALUATION FRAMEWORK

The monitoring and evaluation of PRSP-II will form part of a larger, holistic M&E framework being developed gradually but comprehensively by GoSL. This framework will support the successful implementation of government programmes, not only to reduce poverty but also promote sustainable growth of the economy. The Office of the President, Cabinet Secretariat and Ministry of Finance and Economic Development are the primary institutions that will be responsible for setting up this framework, that in turn will be guided by the same five principles of monitoring and evaluation laid out in this document: development, results-focus, transparency, efficiency and local relevance.

14 MAINSTREAMING STATISTICS INTO PRSP

14.1 INTRODUCTION

The objectives and strategies described in this section are intended to mainstream sectoral statistical systems within the government's development programme (PRSP). Obstacles can be encountered when attempting to mainstream sectoral statistics into the PRSP. However, the phases of the design of the National Statistical System (NSS) provides an excellent opportunity to build long term relationships to address these issues, and to create cross-cutting strategies that benefit all the sectors of the resulting PRSP.

As part of the democratic process, governments are called upon to account for their mandate to govern, which, in practice, amounts to service delivery. The accounting process often involves measuring performance using measures based on statistics generated from sample surveys and administrative data or parameters from censuses. The standard framework for accountability has been to set up an agency or system to measure government performance. The agency is usually the National Statistics System (NSS). A NSS produces "official" or "national statistics", that is, statistics used in the public domain.

The role of official statistics is threefold:

- Centred on activities around the Gross Domestic Product (GDP), official statistics provide a meaningful description of a country's economy.
- National statistics also provide a description of the distributional aspect of development among social groups and geographical areas, such as those vulnerable to poverty.
- In so doing, they provide a window on the work of government and on how effectively the government is doing it.
- Official statistics also support decision-making processes by the wider community including the private sector.

We establish from the foregoing that measurement is an essential aspect of service delivery.

14.2 THE NATIONAL STRATEGY FOR THE DEVELOPMENT OF STATISTICS (NSDS)

The NSDS which was designed by Statistics Sierra Leone provides a detailed outline of the statistical activities that the National Statistical System (NSS) plans to implement in the five years from 2009 to 2013.

There is an established international consensus on the role of macro-economic statistics in the formulation of policy for economic development. The new approach to development policy is to set clearly attainable goals with measureable targets and indicators attached to a time frame. Evidence based policy making involves policy reviews after careful and rigorous analysis of costs and benefits using sound and transparent data. The results agenda is reflected in the poverty Reduction Strategy Paper (PRSP) and the Millennium Development Goals (MDGs). Measuring

progress towards achieving the MDGs depends on reliable and timely statistical indicators used to monitor and evaluate these goals.

14.2.1 ECONOMIC STATISTICS

The Economic Statistics programme is focused on providing robust economic indicators with the primary objectives of providing data for development planning, monitoring progress towards achieving the MDGs and Poverty Reduction, meeting the macroeconomic data requirements of multilateral agencies such as ECOWAS, IMF, WORLD BANK, ILO, UNSD, DFID, EU, The UN Family, etc.

To meet the West African Monetary Zone (WAMZ) criteria on fiscal deficit, real sector growth, monetary stability and external sector performance, sound and transparent economic statistics are required to monitor compliance to monitor the convergence criteria. This brings into focus the need to improve on the capacity of the NSS to collect, process, analyse and disseminate economic statistics that will meet these needs.

The key deliverables are:

- (i) Expanded Agricultural Statistics including an agriculture costs survey in 2010, and an agriculture outputs in 2010, and agricultural census in 2010/2011.

Agriculture is the mainstay of the Sierra Leone economy and monitoring production, incomes and costs provide essential statistics for agriculture and food security policies.

Agriculture continues to contribute close to about fifty (50) percent of the Gross Domestic Product in Sierra Leone. Thus a reliable agriculture data will mean that the GDP estimates will be largely reliable for any policy-making on the Sierra Leone economy.

- (ii) A new Labour Force Survey of households in 2009. Such surveys are a standard feature in other countries but have not yet been conducted in Sierra Leone. They provide comprehensive details of formal, informal sector employment and of unemployment and inactivity on a consistent basis across the household population.
- (iii) Improved, more timely and expanded annual and half yearly national accounts. Providing an improved basis for monitoring economic progress in the country and assessing the affordability of government development plans.
- (iv) Quarterly published fiscal statistics following IMF standards. Enabling the monitoring and assessment of government income and expenditure on a consistent basis within the fiscal year.
- (v) Improved and more comprehensive BOP statistics following IMF standards. Again an essential component of monitoring the economic progress of the country.
- (vi) Improved external trade statistics agreed, published and used by all parties. (The current situation of two different sets of figures produced by SSL and BSL undermines confidence in the integrity of the statistical system.

- (vii) A new quarterly index of production from 2009. This SSL series based on expanded and more comprehensive business surveys data will replace the partial and inadequate system established by the BSL in the absence of anything better.
- (viii) A new quarterly Producer Price Index from 2009. PPI's are an essential element in the programme of improvements to the (constant price) national accounts and valuable in their own right as indicators of inflationary pressure in the economy.
- (ix) Improved and enhanced business register from 2009 to provide a sound basis for improved sample surveys of businesses.
- (x) Annual data published on formal sector employment and wages by industry based on NRA PAYE records in 2009 and 2010.
- (xi) Informal sector business survey and report in 2010/2011. Part of the programme for improving the National Accounts, but also important in its own right as an important element of economic activity missed from standard business surveys.
- (xii) A new Household Budget Survey and report in 2009/2010 (known as the SL Integrated Household Survey SLIHS) to be used for rebasing the Consumer Price Index (CPI), poverty analysis and national accounts. This will provide an essential update on the PRSP monitoring trends since the 2004 survey.

14.2.2 DEMOGRAPHIC, SOCIAL AND REGIONAL STATISTICS

Statistics covering data on population issues, education, labour, health, gender and other social statistics provide timely and accurate data for policy planning and formulation for the country and it will help to design appropriate strategies to monitor the impact of some indicators on the labour force, poverty-reduction and economic growth within the country.

Accurate statistics on health and education in Sierra Leone are vital, not only for the achievement of our MDGs, but also for an assessment of our human development index. Additionally, the government of Sierra Leone can only succeed in making a development impact in these areas with the availability of vital statistics on health and education.

Reliable household survey information is essential for effective development planning and policy formulation. This has been one of the success stories for the NSS in the past and will continue to be so in the future. The household survey programme will provide essential monitoring information on society and poverty in advance of the next census of population planned in 2014.

The key new published deliverables and reports planned for specific areas of statistics will be:

- (i) A Demographic and Health Survey and report (SLDHS) in 2009: This will provide important new indicators for the PRSP as well on health and disability in the population. The demographic indicators will help improve the population estimates and forecasts between census years.
- (ii) Core Welfare Indicator Questionnaire Survey (CWIQ) and report in 2010/2011: The sample for this would be combined with the SLIHS above and would provide earlier indications of poverty trends since the previous such survey in 2007.

- (iii) Expanded and improved regional and district statistics and publications: Part of servicing and government decentralisation agenda is required for the PRSP purpose.
- (iv) A Geographic Information Systems (GIS) local area information system for all MDAs to use. Such IT based mapping technology and databases are an essential part of the technical infrastructure for administrative planning and local area statistics.
- (v) Annual demographic indicators and population estimates: an essential part of the statistical and planning infrastructure not currently being produced on a regular basis.
- (vi) Regular and accurate statistics on Health and Education derived from new Administrative Systems. The EMIS and the HMIS are already in the implementation stage. Their prime purpose is management information, but accurate national and local statistics will be an important secondary output.
- (vii) Regular Criminal Justice Statistics to be established via an upgrade of statistical capacity in the Ministry of Justice.
- (viii) A national survey of HIV/AIDS in 2010/2011: This will update the previous survey conducted in 2007 and will concentrate on attitudes and behaviour among the population.

14.3 DATA DISSEMINATION

In addition to survey publications and existing regular series, there will also be a range of new annual publications covering main statistical topic areas, and an improved and expanded website. The Annual Digest of statistics will continue to be produced on time. Dates for forthcoming press releases will be announced in advance.

15.1 ENDOGENOUS RISKS

15.1.1 POLITICAL RISKS

Strong political will at all levels, combined with good governance, is the linchpin for successful implementation of the poverty reduction strategy. The Government remains fully committed to poverty reduction and development of the country as a whole. The recent administration that began in September 2007 has emphasised good governance, including improving transparency and tackling corruption as very high on its list of priorities.

The peaceful national elections of 2007 showed that Sierra Leone has moved away from the violence that characterised the decade to 2002. The local elections in 2008 also happened peacefully; the National Electoral Commission now needs to remain strong and independent for the political arena to remain calm.

15.1.2 ECONOMIC RISKS

Macroeconomic stability is one of the core pillars of the PRSP-II. Failure to observe the measures and provisions of the already fragile macroeconomic framework would make PRSP-Implementation difficult. The limited capacity to absorb resources may also constitute a significant impediment. While the Bank of Sierra Leone and MoFED keep a tight hold on fiscal and monetary policies, this is a low risk.

The development of indigenous business remains a priority; this requires capital and human resources, as well as a strong enabling environment for business. Indigenous businesses are most likely to re-invest within Sierra Leone and to contribute strongly to the long-term development of the country. A business-friendly legal system is essential for continued growth and development of indigenous businesses, and this will also encourage international investors to invest in areas other than primary commodities to help diversification of the economy.

15.1.3 CONSTRAINTS ASSOCIATED WITH THE PARTICIPATORY PROCESS

A lack of understanding of the participatory processes involved in PRSP-II may be an obstacle to the acceptance of the PRSP-II by development partners and local communities. The coordination structures for steering the PRSP need to be strong so that its effectiveness is not jeopardised.

The first PRSP was somewhat misunderstood by parts of the Sierra Leone community, a thorough education programme is needed to explain what the PRSP is and how it will impact people's lives, otherwise expectations may be raised too high. Common misunderstandings about PRSP-I included the expectation that it was a single pot of money waiting to be spent, which the government was not giving out, and that it was a single project designed to lift Sierra Leone out of

poverty within 3 years. Although Sierra Leoneans should expect a lot from the PRSP, their expectations should be grounded in the truth of what the PRSP expects to achieve.

There needs to be strong co-ordination across the government departments, so that duplication of efforts is avoided and limited capacity is used efficiently and effectively.

15.1.4 SOCIAL CONSTRAINTS

Sierra Leone currently faces high unemployment among the youth. Unfortunately many of these were unable to complete their education due to the interference of the civil war. Although employment is currently available in Sierra Leone, it is often only for those who are highly skilled and educated. Thus, the unemployed low and semi-skilled youth, particularly in the urban areas of Sierra Leone, remain a risk since they need but are unable to find stable, long-term employment.

In terms of sustainability of PRSP-II outcomes, low educational participation of the girl-child and low literacy rates among women in Sierra Leone remains a constraint. Throughout the world, those countries which have focused on educating women and girls have had stronger economic development over a longer period of time. This is particularly related to the health of children of well-educated women, as well as the higher likelihood of these children completing their education, thus giving greater growth and development in the future. For continued development into the future, it is essential to ensure that women and girls receive a good education, since this will severely impact the future of Sierra Leone.

15.2 EXOGENOUS RISKS

Uncertain political and economic situations in any neighbouring country could disrupt Sierra Leone's economic development. If terms of trade are disrupted for Sierra Leone's exports, this could handicap the country.

Sierra Leone is dependent on oil and other petroleum products. If the international price of oil were to continue to increase, it would damage the economy, both in terms of supplying power in the short term until the Bumbuna hydroelectric plant comes into operation, as well as in the transportation of goods, since the majority of goods travel by road.

The food crisis of early 2007 and the resulting rise in the price of basic foodstuffs, particularly rice, is cause for concern, and could well become a risk for the future. However, Sierra Leone has very fertile soil, and agriculture has a strong potential to thrive, assuming resources are handled carefully. Extreme international weather conditions can impact on the price of food in Sierra Leone; it is therefore important that agriculture takes a prominent place in the implementation of the PRSP-II to ensure minimal instability as a result of international changes.

If environmental changes cause weather patterns to shift, Sierra Leone must be aware of potential changes in climate and how agriculture in particular can be adapted to thrive in a new environment. For example, shifting rain patterns may mean that other types of rice that are not currently under cultivation in Sierra Leone may prove to be more productive in the future.

Desertification in countries to the north may cause populations to shift as they seek new, more fertile lands. Although the final impacts of this will not be felt for some years, the PRSP-II is an ideal opportunity to begin to prepare for a potential inflow of people from lands that are becoming less fertile.

If budgetary resources shrink, this is likely to impede execution of the thematic strategies. Delays in disbursement of resources from international development partners would also badly impact the effectiveness of the thematic strategies. Finally, the current emerging global financial and economic crisis could impact negatively on the Government's ability to raise significant donor funding support, especially at the start of PRSP-II.

ANNEX I: COSTED ACTIVITY MATRIX

Policy Area	PRS Estimate			MTEF Estimate			Financing Gap				
	2009	2010	2011	2009	2010	2011	2009	2010	2011	Total	
STRATEGIC PRIORITIES	568,430	414,090	360,850	1,343,370	225,930	228,827	275,992	342,500	185,263	84,858	612,621
Enhancing National Electricity	119,150	76,100	61,750	257,000	31,983	31,456	32,097	87,167	44,644	29,653	161,463
Improving generating capacity nationwide	114,384	73,056	59,280	246,720	30,704	30,198	30,813	83,680	42,858	28,467	155,005
Improving energy sector governance	2,383	1,522	1,235	5,140	640	629	642	1,743	893	593	3,229
Reducing health & environmental cost associated with energy	1,072	685	556	2,313	288	283	289	785	402	267	1,453
Bringing SL into the W/African Power Pool	1,311	837	679	2,827	352	346	353	959	491	326	1,776
Developing National Transportation	187,750	123,500	128,750	440,000	87,588	77,559	125,016	100,162	45,941	3,734	149,838
Improving Road Network	181,000	119,000	125,000	425,000	87,450	77,372	124,828	93,550	41,628	172	135,350
Improving River Transportation	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Air Transportation	6,750	4,500	3,750	15,000	138	187	187	6,612	4,313	3,563	14,488
Improving Ports and Jetties	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Resuscitating the national railway	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Enhancing Productivity in Agriculture and Fisheries	86,900	59,600	48,500	195,000	34,954	34,954	34,954	51,946	24,646	13,546	160,046
Improving agricultural production	37,874	26,216	21,170	85,260	17,145	17,145	17,145	20,729	9,071	4,025	68,115
Promoting commercial production	24,814	17,176	13,870	55,860	11,233	11,233	11,233	13,581	5,943	2,637	44,627
Improving agricultural research & extension	653	452	365	1,470	296	296	296	357	156	69	1,174
Promoting efficient & effective sector mgt	1,959	1,356	1,095	4,410	887	887	887	1,072	469	208	3,523
Promoting efficient mgt of marine resources	21,600	14,400	12,000	48,000	5,394	5,394	5,394	16,206	9,006	6,606	42,606

Policy Area	PRS Estimate			MTEF Estimate			Financing Cap					
	2009	2010	2011	2009	2010	2011	2009	2010	2011			
	Total	Total	Total	Total	Total	Total	Total	Total	Total			
Promoting Human Development	174,630	154,890	121,850	451,370	76,799	90,970	85,064	252,832	97,831	63,920	36,786	198,538
<i>Education</i>	51,705	54,740	48,725	155,170	35,178	39,864	38,792	113,834	16,527	14,876	9,933	41,336
Increasing access & completion rates	14,477	15,327	13,643	43,448	9,850	11,162	10,862	31,874	4,628	4,165	2,781	11,574
Improving quality & relevance of education	12,926	13,685	12,181	38,793	8,795	9,966	9,698	28,459	4,132	3,719	2,483	10,334
Improving capacity and efficiency	12,409	13,138	11,694	37,241	8,443	9,567	9,310	27,320	3,966	3,570	2,384	9,921
Strengthening EMIS & management of education records	11,892	12,590	11,207	35,689	8,091	9,169	8,922	26,182	3,801	3,421	2,285	9,507
Health	62,500	58,200	34,500	155,200	23,879	32,382	22,104	78,365	38,621	25,818	12,396	76,835
Provision of integrated reproductive & child health	10,625	9,894	5,865	26,384	4,059	5,505	3,758	13,322	6,566	4,389	2,107	13,062
Improving nutrition	10,000	9,312	5,520	24,832	3,821	5,181	3,537	12,538	6,179	4,131	1,983	12,294
Prevention & treatment of STI/HIV/AIDS, tuberculosis & malaria	9,375	8,730	5,175	23,280	3,582	4,857	3,316	11,755	5,793	3,873	1,859	11,525
Non-communicable diseases & mental health	11,250	10,476	6,210	27,936	4,298	5,829	3,979	14,106	6,952	4,647	2,231	13,830
Provision of infrastructure for the functioning of institutions	12,500	11,640	6,900	31,040	4,776	6,476	4,421	15,673	7,724	5,164	2,479	15,367
Health HR development & management	8,750	8,148	4,830	21,728	3,343	4,534	3,095	10,971	5,407	3,614	1,735	10,757
Water & Sanitation	21,000	15,000	12,500	48,500	4,115	5,446	6,460	16,021	16,885	9,554	6,040	32,479
Improving management & coordination in the water sector	3,150	2,250	1,875	7,275	617	817	969	2,403	2,533	1,433	906	4,872
Improving rural water supply & sanitation	9,450	6,750	5,625	21,825	1,852	2,451	2,907	7,209	7,598	4,299	2,718	14,616
Improving urban & small town water supply & sanitation	8,400	6,000	5,000	19,400	1,646	2,178	2,584	6,408	6,754	3,822	2,416	12,992
Gender	14,175	9,450	7,875	31,500	1,097	806	741	2,644	13,078	8,644	7,134	28,856
Social Protection	25,250	17,500	18,250	61,000	12,530	12,472	16,967	41,969	12,720	5,028	1,283	19,031

Policy Area	PRS Estimate			VTEF Estimate			Financing Gap					
	2009	2010	2011	2009	2010	2011	2009	2010	2011			
ENABLERS OF GROWTH	162,167	139,828	110,190	412,185	75,758	110,120	89,391	275,269	86,409	29,708	20,799	136,916
Good Governance, Peace & Security	123,862	107,458	93,965	325,285	72,538	105,740	84,765	263,043	51,324	1,718	9,200	62,242
Political Governance	15,927	15,618	17,515	49,060	10,964	14,916	12,548	38,428	4,963	702	4,967	10,632
Decentralisation	15,750	10,500	8,750	35,000	8,499	8,531	6,737	23,767	7,251	1,969	2,013	11,233
Fighting Corruption	5,310	3,540	2,950	11,800	1,373	1,706	2,280	5,359	3,937	1,834	670	6,441
Promoting Equitable & Affordable Justice & Human Rights	13,950	9,300	7,750	31,000	1,885	1,775	1,828	5,488	12,065	7,525	5,922	25,512
Public Financial Management	19,000	16,000	12,000	47,000	9,701	11,916	11,530	33,146	9,299	4,084	470	13,854
ICT	15,925	15,500	10,000	41,425	850	962	962	2,774	15,075	14,538	9,038	38,651
Security ^b	38,000	37,000	35,000	110,000	29,924	31,238	31,055	92,218	8,076	5,762	3,945	17,782
Growing the Private Sector	17,500	12,000	9,500	39,000	1,154	1,537	1,596	4,287	16,346	10,463	7,904	34,713
Removal of Constraints for Private Sector	6,750	4,500	3,750	15,000	676	953	1,012	2,642	6,074	3,547	2,738	12,358
Promoting Employment	10,750	7,500	5,750	24,000	477	584	584	1,645	10,273	6,916	5,166	22,355
Building and Sustaining a Responsible Financial Sector	2,500	1,500	1,000	5,000	-	-	-	-	2,500	1,500	1,000	5,000
Framework for Effective Management of Natural Resources	18,305	18,870	5,725	42,900	2,066	2,843	3,030	7,939	16,239	16,027	2,695	34,961
Tourism	2,205	1,470	1,225	4,900	298	407	433	1,138	1,907	1,063	792	3,762
Mines	3,600	2,400	2,000	8,000	623	788	814	2,225	2,977	1,612	1,186	5,775
Lands	12,500	15,000	2,500	30,000	1,145	1,648	1,783	4,576	11,355	13,352	717	25,424
CAPACITY BUILDING, MONITORING & EVALUATION	52,650	70,100	41,250	164,000	20,042	25,311	17,864	63,217	32,608	44,789	23,386	100,783
Building Public Sector Capacity	28,900	52,600	25,500	107,000	12,502	14,108	10,657	37,267	16,398	38,492	14,843	69,733
Strengthening Parliamentary & Civic Oversight	7,250	6,500	6,250	20,000	840	888	168	1,896	6,410	5,612	6,082	18,104
Monitoring & Evaluation of PRSP	16,500	11,000	9,500	37,000	6,700	10,315	7,039	24,054	9,800	685	2,461	12,946
GRAND TOTAL	783,247	624,018	512,290	1,919,555	321,729	364,258	383,248	1,069,235	461,518	259,760	129,042	850,320

