



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 07-Feb-2020 | Report No: PIDC28556



BASIC INFORMATION

A. Basic Project Data

Country Sierra Leone	Project ID P169498	Project Name Third Productivity and Transparency Support Grant (P169498)	Parent Project ID (if any) P168259
Region AFRICA	Estimated Board Date Apr 30, 2020	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance	Implementing Agency Anti Corruption Commission, Ministry of Agriculture and Forestry, Ministry of Fisheries and Marine Resources, Ministry of Lands Housing and Country Planning, Teaching Service Commission		

Proposed Development Objective(s)

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

Financing (in US\$, Millions)

SUMMARY

Total Financing	100.00
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DETAILS

Total World Bank Group Financing	100.00
World Bank Lending	100.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

1. This program document proposes an SDR [TBD] million (US\$[TBD] million equivalent) International Development Association (IDA) grant to the Republic of Sierra Leone for the Third Productivity and Transparency Support (PTSG-III) Development Policy Operation (DPO). This operation supports the implementation of the Government’s medium-term National Development Plan (2019 – 2023) (MTNDP-I), by: (i) creating the conditions for increased productivity in selected economic sectors; and (ii) improving transparency



in selected government decision making processes. The proposed DPO is central to the World Bank's engagement in the country around priorities for unlocking growth as articulated in the 2018 Systematic Country Diagnostic (SCD).

2. Sierra Leone's economy is one of the most volatile economies in the world. Between 2008 and 2018, the standard deviation of real GDP growth was 11 percent. Much of this volatility in GDP growth is explained by the fact that the economy is primarily driven by agricultural and mineral production, two sectors in which commodity prices are externally determined and highly unpredictable. Highly-volatile commodity prices have translated into increased fluctuation in output in these two sectors. With population growth at 2.2 percent, in 2018 real income per capita grew by only 1.5 percent. Indeed, Sierra Leone's real income per capita, estimated at US\$522.9 in 2018, is still far below its pre-Ebola level of US\$562.8.

3. The country has low levels of human capital. Sierra Leone's Human Capital Index, at 0.4 in 2018, is one of the lowest in the world. Access to and quality of health and education services are very low. Life expectancy, at 51 years, is one of the lowest. More than a tenth of newborns die before age five; a quarter of children under five are chronically malnourished; and two-thirds of adults have no or incomplete primary education. In 2018, at 76 percent the age-dependency ratio—youth as a percentage of the working-age population—was above the 72 percent average for fragile and conflict-affected countries. In 2017, the working-age population grew at 2.8 percent and total population grew by just 2.2 percent, creating a pressing need for more formal and better-paying new jobs. The youth bulge is a source of fragility since today's youth had spent much of their formative years in the decade-long war and hence have acquired neither education nor skills.

4. Weak institutions and poor governance not only undermine the legitimacy of the state but also impede private sector development. The World Bank's Worldwide Governance Indicators suggest that the public's perception of the quality of governance in the country is one of the lowest in the world. In 2018, the country's scores were -0.18 for Voice and Accountability, -1.14 for Government Effectiveness, -0.91 for Regulatory Quality, -0.77 for Rule of Law, and -0.49 for Control of Corruption. Despite being similar to Sierra Leone in many respects, Senegal had better scores: 0.24 for Voice and Accountability, -0.27 for Government Effectiveness, -0.11 for Regulatory Quality, -0.21 for Rule of Law, and -0.02 for Control of Corruption. This relatively low quality of governance in Sierra Leone undermines state legitimacy, as public confidence in institutions has deteriorated. Furthermore, the quality of the business environment remains weak and is not favorable to the development of the private sector. The 2019 Doing Business Report ranked the country 163/190. As result, private investment and especially foreign direct investment has slowed.

5. The country faces several structural challenges preventing the achievement of sustained inclusive growth and shared prosperity. With the population growing at more than 2 percent per year, Sierra Leone's economy is not growing fast enough to substantially increase income per capita. Furthermore, Sierra Leone's economy has seen very little structural change, with low-productivity sectors like agriculture employing most of the labor force. In 2018, agriculture alone accounted for more than half of total production and employed 59 percent of all workers. However, the agricultural sector has the lowest level of labor productivity. In addition, the working-age population is growing faster than the total population, suggesting the need for more and better-quality jobs. In 2018, its working-age population grew at 2.8 percent and is expected to grow faster over the medium term.

6. The national poverty rate, after declining from 66.4 percent in 2003 to 53.8 percent in 2011, has recently reversed. Projections based on the 2011 household survey estimated that poverty further declined to 46 percent



in 2014, before increasing to over 49 percent in 2015 as the Ebola and commodity price crises hit. Provisional estimates based on the 2018 Integrated Household Survey put the overall poverty headcount at 56.7 percent. With a Gini index of 34, income inequality is quite high in Sierra Leone.

7. To support the government in its efforts to achieve stable and inclusive growth, the proposed operation focuses on two primary areas: (i) creating the conditions for increased productivity in selected economic sectors; and (ii) improving transparency in selected government decision making processes. Under these two broad pillars, the proposed operation supports ongoing reforms to increase agricultural productivity and transparency and accountability. Furthermore, the program supports the authorities' efforts to strengthen economic and political governance, build local capacity, promote transparency in the mining sector, and build an effective asset disclosure system to fight corruption and promote public sector accountability.

Relationship to CPF

8. The proposed PTSC series has been designed to help unlock constraints identified in the SCD (2018) and ensure consistency with the new Country Partnership Framework (CPF) for Sierra Leone (FY19-FY23). The SCD (2018) emphasized the criticality of addressing the fiscal challenges as well as boosting productivity in agriculture, manufacturing, and services to foster inclusive growth to reduce poverty and boost shared prosperity. It also emphasized the need to improve overall governance to build resilience and improve public service delivery. Other World Bank operations in agriculture, fisheries, minerals sector, and governance are linked to the proposed series and provide complementary Technical Assistance. The preparation of the new CPF covering FY2019-FY2023 delayed by onset of the Ebola epidemic in 2014 is expected to be presented to the Board for consideration by the third quarter of FY20.

C. Proposed Development Objective(s)

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

Key Results

Pillar 1: Creating the conditions for increased productivity in selected economic sectors (Agriculture, Land, Fisheries, Energy and Education)

10. Results for Agriculture and Land. The proposed operation deepens reforms initiated under PTSC-I and PTSG-II, aimed at liberalizing the input markets for agriculture and promoting private sector participation in the supply of improved seeds and fertilizer as well as increase farmers and women's access to land. Under the proposed series, the number of licensed private firms in both the seeds and fertilizer market is expected to increase as is self-sufficiency in rice production.

11. Results for Fisheries. Until recently, Sierra Leone's fisheries management was characterized by inadequate monitoring, control and surveillance capacity and lack of funding to support the Joint Maritime Committee's (JMC) function. Under PTSC-I, the Government ensured that all licensed industrial vessels (other



than tuna vessels) were fitted with a Vessel Monitoring System (VMS) or Automatic Identification System (AIS) and had observers on board, to increase transparency and reinforce monitoring, control, and surveillance of fishing activities (PTSC-I prior action #4). Without the DPF, the 100 percent coverage of VMS and observers on licensed industrial vessels would not have happened. The Fisheries and Aquaculture Act (PTSG-II Prior action #3) was approved by Parliament, followed by the approval of the Fisheries regulations and National Plan of Action to combat IUU. As a result of the actions, the number of active industrial fishing license is expected to be reduced to 60 by end-2020 from 97 in 2016. Currently, there are 65 active industrial fishing vessels.

12. Results for Energy. The operation aims to reduce total system losses (technical and financial), to 28 percent by end-2020 from 38 percent in 2015 and increase EDSA's total revenue collection and financial sustainability. Under PTSC-I, EDSA approved a strategic plan to improve the operation and financial performance of the utility, which includes reduction of technical and commercial losses and increase in collection rate (PTSC-I prior action #4). The Government has approved and rolled out a Network Configuration Plan (PTSG-II prior action #4) and liberalized fuel prices (PTSG-II prior action #4), reducing indirect subsidies to energy and promoting efficient pricing of electricity tariffs.

13. Results for Education. The operation aims to improve teaching/learning quality through effective teacher management to reduce teacher absenteeism, to 15 percent by end-2020 from 30 percent in 2016, and to contribute to a more equitable distribution of teachers. This program series supported the implementation of the TSC Act by facilitating the transfer of all teacher assets, functions, and functionaries from MoBSSE to TSC. As a preliminary step before the transfer of the assets, the MoBSSE and the MoF agreed on the salary scale for the staff of the TSC. MoBSSE subsequently transferred teacher assets and files to the TSC and the 2019 budget has made provisions to fund the TSC's operations. The TSC has also filled all vacancies at its district offices

Pillar 2: Improving transparency and accountability in selected government decision making processes (Public Financial Management (PFM), Extractives, Anti-Corruption)

14. Results for PFM. Through the introduction of e-procurement and its regulations, processes are expected to be standardized, streamlined, and integrated, and associated processing times and administrative costs are expected to be consequently reduced. The system will compel all users to execute public procurement actions in line with legislation, while in parallel, enable any interested party to monitor public procurement proceedings and results. There will be increased competition and reduced costs for MDAs also leading to lower prices for the goods, works, and services procured by the government. Consequently, the share of public procurement transactions conducted through open competition is expected to improve to 85 percent by end-2020 compared to 45 percent in 2016.

15. Results for Extractives. The Government's EIRL of July 2018 will strengthen the fiscal regime, enhance transparency and improve revenues in the mining sector - revenue mobilization from the mining sector is expected to double over the medium term. The EIRL also contains detailed provisions that grandfather fiscal terms for existing agreements until these contracts come up for review. This would allow alignment of the tax rates applied to mining companies and increase the transparency of the fiscal regime. The new Minerals Policy and Law is expected to maximize economic and social benefits for the population through increased transparency in the sector and by allocating mineral revenues to productive investments to create jobs and promote inclusive growth. It will promote an inclusive, transparent, and streamlined governance practices to ensure social and environmental protection. Full compliance with the law would compel all new mining companies to disclose beneficial owners contrary to the current practice.



16. Results for Anti-corruption. The new asset disclosure regime (law and regulation) has significantly reduced the number of public servants required to declare assets by limiting the asset disclosure to political appointees and their relatives and individuals with fiduciary or oversight responsibilities in the public sector. This would significantly enhance the ACC’s ability to monitor compliance with the asset disclosure requirements. The ACC has also developed a web-based asset disclosure system that allows public officials to fill their AD form online. The Anti-Corruption (Amendment) Act (2019) provides for administrative sanctions for Public Officers who fail to submit their Asset Declaration Forms as and within the time prescribed by the Act, including withholding of salaries, suspension from public service after 3 months and removal from public service after 6 months¹. It also includes redress for public officers who knowingly record false, inaccurate or misleading information; dispenses with need for Commissioners of Oath to attest Asset declaration forms and replaces it with Penal Affirmation either electronically or personally; and creates room for the digitization of the declaration process and regime. The new asset disclosure regime is expected to increase the share of public official declaring their assets to 90 percent by end-2020 compared to 20 percent in 2016.

D. Concept Description

17. This operation is the last in a programmatic series of three operations to support the implementation of the Government’s priorities articulated in the previous AfP and the current MTNDP-I. The aim of this series is to support the Government’s objective of achieving sustainable and inclusive economic development by: (i) creating the conditions for increased productivity in selected economic sectors; and (ii) improving transparency in selected government decision making processes. The proposed operation covers five policy areas namely: agriculture (including fisheries and land), energy and extractives, education, public financial management (e-procurement regulations) and anti-corruption (asset disclosure). These areas are consistent with the Government’s new MTNDP-I and the findings of the World Bank Systematic Country Diagnostic (SCD). The design of the series has incorporated lessons from previous DPF including the first and second operations under this series (PTSC-I and PTSG-II). The program is focused on a limited number of transformational structural reforms necessary for boosting productivity, unlocking inclusive growth, and diversifying the economy. Transparency and accountability issues are mainstreamed into the framework for the main productive sectors and in education.

18. The proposed operation supports nine prior actions. These prior actions were identified in close coordination with the authorities and are based on a range of analytical work completed in Sierra Leone (see Table 5).

Table 5: PTSG-III Prior Actions and Analytical Underpinnings

PTSG-III Prior Actions	Analytical Underpinning	Key findings and recommendations
Pillar 1: Creating the conditions for increased productivity in selected economic sectors		

¹ Suspension from public service after 3 months and removal from public service after 6 months do not apply to offices prescribed by the Constitution; but their salaries can be withheld.



<p>The Recipient’s Parliament has approved the Regulations for the Seed Certification Agency Act, 2017 and has established the Seed Certification Agency (SCA).</p>	<p>AfP (2013-2018), SDC - (2018), Agriculture Public Expenditure Review (PER) (2015), Food Security and Vulnerability Analysis (CFSVA) (2015), Poverty Assessment (2014 and 2019), Sierra Leone Growth Pole Diagnostic Study (2013), National Agriculture Transformation Programme (NATP) (2019 – 2023)</p>	<p>Productivity growth in agriculture is constrained by very low access to improved seeds and low incentives for the private sector’s participation to the seed market.</p>
<p>The Recipient’s Cabinet has approved a Rice Sector Development Policy, Implementation Strategy and Roadmap to boost local production of rice.</p>	<p>AfP (2013-2018), SDC - (2018), Agricultural Sector Review (2014), Labor Force Survey (2014), Agriculture Value Chain Analysis, (United States Agency for International Development (USAID), 2016), CFSVA (2015); NATP (2019 – 2023)</p>	<p>Rice offers good potential for driving agriculture sector growth and strengthening dynamic linkages to other parts of the economy</p>
<p>The Recipient’s Parliament has approved the Regulations for the National Fertilizer Regulatory Agency Act, 2017 and has established the National Fertilizer Regulatory Agency (NaFRA), including the appointment of its governing Board.</p>	<p>AfP (2013-2018), SDC - (2018), Agricultural Sector Review (2014), Labor Force Survey (2014), Agriculture Value Chain Analysis, (United States Agency for International Development (USAID), 2016), CFSVA (2015), NATP (2019 – 2023)</p>	<p>Productivity growth in agriculture is constrained by very low access to improved fertilizer and low incentives for the private sector’s participation in the fertilizer market.</p>
<p>The Recipient has taken a decision in Cabinet to adopt a new Land Commission Bill and a Customary Land Rights Bill and has duly submitted the said Bills to Parliament for approval.</p>	<p>AfP (2013-2018), SDC (2018), Agriculture PER (2015), CFSVA (2015), Poverty Assessment (2014 and 2019), Agricultural Sector Review (2014), Labor Force Survey (2014), National Land Policy (NLP) (2015),</p>	<p>To modernize the agricultural sector in Sierra Leone, the existing land tenure system needs to be reformed to provide for sufficient security and safeguards and increase access to land for vulnerable groups especially women.</p>
<p>The Recipient’s Parliament has approved the Fisheries and Aquaculture Regulation and its Cabinet has adopted a National Plan of Action to combat illegal fishing.</p>	<p>AfP (2013-2018), SDC (2018), NSADP (2010-2030), Agriculture PER (2015), Poverty Assessment (2014 and 2019), Agricultural Sector Review (2014), Labor Force Survey (2014), Marine Resource Assessment Group (MRAG) (2005).</p>	<p>Large number of industrial vessels and, illegal, unreported and unregulated (IUU) fishing practices threatens the sustainability of the fisheries sector in Sierra Leone. The current number of licensed trawlers doubles what is estimated to be sustainable by Marine Resources Assessment Group (MRAG).</p>

PTSG-III Prior Actions	Analytical Underpinning	Key findings and recommendations
<p>The Recipient’s Board of Electricity Distribution and Supply Authority (EDSA) has approved a new organizational structure and appointed staff to fill senior management positions, including three international advisors focused on commercial and technical loss reduction.</p>	<p>AfP (2013-2018), SDC (2015), Poverty Assessment (2014 and 2019), Labor Force Survey (2014), Western Area Power Generation Project (WAPGP 2016), Energy Sector Utility Reform Project (ESURP 2013), Energy Access Project (EAP 2013).</p>	<p>The financial situation of the electricity sector is not sustainable because of the low-cost recovery attributable to the weak governance structure with high technical and commercial losses (at about 38 percent and low revenue collections at around 60 percent of total sale).</p>
<p>The Recipient’s Teaching Service Commission (TSC) has established a pilot for a nationwide teacher attendance monitoring system and adopted teacher deployment protocol and incentive</p>	<p>TSC Act 2011, ASC (2015), Situation Room Reports (2016), CSR (2013), PAD REDP (2014), Payroll Verification Study (2017), Gbamanja Commission of Enquiry Report (2010).</p>	<p>Learning outcomes in Sierra Leone are among the lowest in the region, reflecting in part the poor quality, performance, and management of the teaching workforce. Only half of teachers are qualified for their level and</p>



strategy that promotes equitable deployment of teachers across the country.		position. The problem is most acute at primary.
Pilar 2: Improving transparency and accountability in selected government decision making processes		
The Recipient Parliament has, pursuant to the 2016 Procurement Act, approved the Procurement Regulations, which inter alia provides for the implementation of a nationwide e-procurement system.	AfP (2013-2018), SCD (2018), SLEU (2018), PFM Act (2016), PFM Regulation (2018), Procurement Act (2016), Evaluation of Budget Support to Sierra Leone 2002 – 2015, PEFA (2007, 2010, 2014, 2017).	PEFA (2017) found that procurement management is weak and incomplete resulting in higher prices being paid on purchases of goods and services and on works contracts.

PTSG-III Prior Actions	Analytical Underpinning	Key findings and recommendations
The Recipient has taken a decision in Cabinet to adopt a new Minerals Policy and has submitted a revised Mines and Minerals Bill to Parliament for Approval.	AfP (2013-2018), SDC (2018), IMF ECF (2017), PFM Regulation (2018), PEFA (2007, 2010, 2014)	The main constrain to maximizing revenue from the mining sector is the opaque and arbitrary application of the legal framework governing the sector.
The Recipient has enacted an amendment of the Anti-corruption Act (2008) to allow for the implementation of the Asset Disclosure Regulation (2018).	AfP (2013-2018), SDC (2018), Evaluation of Budget Support to Sierra Leone 2002 – 2015, PEFA (2007, 2010, 2014), TI-CPI (2010-2016), TI Global Corruption Barometer (2010-2015), SL National Integrity System Survey (2014)	Although declining, the perception of corruption is relatively high in Sierra Leone. The country’s ranking on the Transparency International Corruption Perception Index (CPI) fell slightly from 130 in 2017 to 129 in 2017. Developing a more effective asset disclosure system and integrating it into wider anti-corruption programs can be a critical element for preventing corruption.

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

Poverty and Social Impacts

19. Overall, the poverty and social impacts of the policy reforms supported under the proposed DPF series (PTSG-II) are expected to be largely positive and substantial. Reforms aimed at boosting productivity in key sectors such as agriculture and fisheries are expected to have a substantial positive impact on poverty reduction in Sierra Leone. Agriculture and fisheries employ more than 60 percent of the country’s workers; close to 95 percent of the rural households have land and agriculture as their main source of income; and nearly 70 percent of the poor households have agriculture as their primary source of livelihood. In this context, the proposed reforms are expected to have a significant positive social and poverty reduction impact. The reforms in the seed and fertilizer markets are expected to: (i) increase access to improved inputs (seeds and fertilizers) and create conditions for increased yields over the medium term; and (ii) promote private sector participation in the provision of these inputs as well as create jobs, which are expected to have significant positive impact on poverty. By increasing agriculture productivity, the reforms could have a positive impact on food security and reduce the prevalence of malnutrition by increasing the provision of important micronutrients, including protein, to the population. The fisheries reform is expected to reduce unsustainable fishing practices and increase the supply



of fish in the domestic market, particularly from artisanal, inland, and aquaculture fisheries activities, which will have a positive impact on poverty.

20. In the energy sector, the reduction in electricity losses is expected to improve the financial situation of EDSA and increase the utility's capacity to supply electricity to households and businesses. A higher electricity supply is in turn expected to better support economic activities and investment in manufacturing and services, which could lead to more job creation and poverty reduction. Similarly, the education reform is expected to have a positive impact on poverty reduction given the anticipated improvement in learning outcomes, which will increase the chances of the working age population to earn a higher wage.

21. The reforms aimed at improving transparency in selected government decision making processes is also expected to have a positive social and poverty impact. The new procurement regulation will allow products and services to be tracked more easily, permitting the Government to use faster exchanges of information to obtain better pricing and value for money. This will promote a more efficient delivery of goods and services especially in the social sectors, enhancing benefit for the poor and vulnerable group. The new legal framework for the extractive sector could reduce opportunities for corruption, thereby increasing accountability and promoting transparency in the resource sector. It is also expected to maximize economic and social benefits for the population through increased transparency in the sector and by allocating mineral revenues to productive investments to create jobs and promote inclusive growth. The focus on transparency through asset disclosure will likely help curb corruption and improve public service delivery to the poor and vulnerable households. A robust asset disclosure system is expected to improve oversight of public officials and reduce opportunities for corruption.

Environmental, Forests, and Other Natural Resource Aspects

22. The proposed operation is expected to have a neutral-to-positive impact on the environment. Sierra Leone has a robust environmental management system in place to prevent harmful environmental practices and address climate change risks that could arise from the implementation of some reforms under the proposed program. The MAF and Sierra Leone Standard Bureau (SLSB) have arrangements for quality testing of products in the local market not limited to fertilizer and seeds. The National Protected Area Authority (NPAA) manages forest reserves and oversees reforestation to prevent land degradation and protect the fragile ecosystem. The Environmental Protection Agency (EPA) has established an environmental assessment compliance system mandatorily applied to all developers/proponents with Environmental Impact Assessment (EIA) licenses. The Agency ensures that operational procedures and guidelines on environmental inspections, environmental audits and manual for field operations are followed by environment officers of both the agency and companies with EIA licenses. The EPA also ensures that routine monitoring and inspections exercises are undertaken in collaboration with MDAs, non-governmental organizations, civil society and farmer-based organizations (FBOs) to ensure transparency and accountability in the protection and management of the environment and use of the natural resources. A computerized system, including planning, reporting, monitoring and evaluation is used to, record and address concerns reported to the Agency and all EIA licensed companies are required to submit quarterly and annual environmental reports to the Agency. The Agency also imposes severe sanctions for noncompliance with the EPA standards. The Government continue to implement reforms to improve its overall environmental management system such as the setting up of the Seed Certification Agency, National Seed Board, Seed Laboratory and Variety Release Committee. A new Ministry of Environment has been established to better coordinate the implementation environmental norms, ensure sustainability and mitigate climate change risks.



23. Reforms in agriculture and fisheries are expected to have mostly positive effects on the environment.

The establishment of the Seed Certification Agency, National Seed Board, Seed Laboratory and Variety Release Committee would ensure sound regulation of the seed sector and ensure the production of high-quality climate-friendly seeds that not only increase yields for farmers but promote environment sustainability by addressing climate change risks. Although the fertilizer reform could have a moderate negative effect on the environment, robust mitigation measures are underway, including: (i) the establishment of the National Fertilizer Regulatory Agency –which aims to introduce a scheme for certifying private sector players in the fertilizer market to ensure the supply of high quality and environmentally friendly fertilizer; and (ii). the establishment of fertilizer testing facilities across the country for quality control of fertilizers. Both initiatives are supported by the SCADeP project. Over the medium term, the indirect impact of the seed and agricultural reforms will be positive: increases in agricultural productivity resulting from increased use of fertilizer and better seeds could reduce the pressure on agricultural land use, slow the rate of deforestation, and improve the forest cover. The land reform is expected to have positive social and environment impacts given its emphasis on protecting land rights and increasing access to land especially for the poor and vulnerable groups in rural areas. Additionally, the Government has established Regional Land Oversight Committees, with women representation, to ensure inclusive participation in the implementation of the national land policy.

24. Reforms in the fisheries sector are expected to have a positive effect on the environment.

The reinforcement of monitoring and surveillance in the fisheries sector through the introduction of the Vessel Monitoring and Ship Transponder System, Joint Maritime Committee (JMC) functions and Community Management Association for artisanal fishing is expected to reduce illegal, unreported and unregulated (IUU) fishing activities and promote environmental sustainability. In addition, the introduction and enforcement of an Inshore Exclusive Zone is expected to reduce the over-exploitation of some fish stocks and threat to species such as sea turtles and marine mammals. Moreover, the significant increase in the licensing fees for fishing vessels through the License Fee Regulation (2018) is expected to culminate in the reduction of fishing efforts and conserve fisheries resources.

25. The energy sector reforms are expected to largely have a positive environmental effect through the reduction of technical and commercial losses at EDSA.

The NCOP will support the implementation of automatic metering infrastructure to manage system losses to address climate change risks. This is complemented by the fuel subsidy reform, which by increasing the retail price of fuel, promotes efficiency in energy use by households and businesses and therefore positively contributes to lower emission. The removal of the fuel subsidy is also very likely to further enhance energy access by both households and businesses by improving the financial sustainability and investment of both the generating and distribution companies. Still, to the extent that higher fuel prices might, at the margin, lead to substitution away from fuel to non-fuel sources of energy (e.g. wood), the environmental impact could be negative. However, with the parallel effort underway by the BSL to reduce inflation to single digits over the next three years (both through tight monetary policy and fiscal consolidation), such an impact is likely to be small. Finally, the Extractive Industry Revenue Law will not impact mine leases in terms of land use, so the environmental effects are estimated to be largely neutral. On balance, the overall impact of the energy sector reforms on the environment is likely to be positive. Other reforms in the education sector and under the transparency pillar will also have a neutral effect on the environment. The proposed operation is overall expected to have a neutral-to-positive impact on the environment.



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APPROVAL

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