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Report No: PGD175

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED DEVELOPMENT POLICY GRANT

IN THE AMOUNT OF SDR 73.2 MILLION (EQUIVALENT TO US$ 100 MILLION) TO

REPUBLIC OF SIERRA LEONE
FOR A

THIRD PRODUCTIVITY AND TRANSPARENCY SUPPORT
DEVELOPMENT POLICY FINANCING
May 20, 2020

Macroeconomics, Trade And Investment Global Practice
Africa Region

(Sierra Leone)

Republic of Sierra Leone

GOVERNMENT FISCAL YEAR

January 1, – December 31, 30

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of date)

Currency Unit

US$1.00

ABBREVIATIONS AND ACRONYMS

ACC	Anti-Corruption Commission
AfDB	African Development Bank
AfP	Agenda for Prosperity
BSL	Bank of Sierra Leone
CAS	Country Assistance Strategy
CCRT	Catastrophe Containment and Relief Trust
CPF	Country Partnership Framework
CPI	Corruption Perception Index
CFSVA	Comprehensive Food Security and Vulnerability Analysis
GDP	Gross Domestic Product
GNP	Gross National Product
DFID	Department for International Development
DPF	Development Policy Financing
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EDSA	Electricity Distribution and Supply Authority
EEFSO	Emergency Economic and Fiscal Support Operation
EGTC	Electricity Generation and Transmission Company
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MRAG	Marine Resource Assessment Group
MTEF	Medium-Term Expenditure Framework
NACS	National Anti-Corruption Strategy
NCOP	Net Configuration and Optimization Plan
NLP	National Land Policy
NMA	National Minerals Agency
NaCoFEC	National Committee for Fertilizer Control
NaFRA	National Fertilizer Regulatory Agency
NPPA	National Public Procurement Authority
NSADP	National Sustainable Agriculture Development Plan
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PFMIC	Public Financial Management Improvement and Consolidation Project
PRSR	Poverty Reduction Strategy Paper

EIA	Environmental Impact Assessment
EPA	Environment Protection Agency
ESMF	Environmental and Social Management Framework
ESURP	Energy Sector Utility Reform Project
EU	European Union
EWRC	Electricity and Water Regulatory Commission
FAO	Food and Agricultural Organization
HIPC	Highly Indebted Poor Country Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
INDC	Intended National Determined Contribution
JMC	Joint Maritime Committee
JOC	Joint Operations Center
LDP	Letter of Development Policy
Le	Leone, Currency in Sierra Leone
LFS	Labour Force Survey
MAFFS	Ministry of Agriculture and Forestry and Food Security
MBSE	Ministry of Basic and Secondary Education
MDAs	Ministries, Department, and Agencies
MDBS	Multi-Donor Budget Support
MCS	Monitory, Control and Surveillance
PTSG	Productivity and Transparency Support Grant
RCB	Rokel Commercial Bank
REDP	Revitalizing Education Development Project
ROA	Return on Assets
ROE	Return on Equity
SALCAB	Sierra Leone Cable Company
SCADP	Smallholder Commercialization and Agribusiness Development Project
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SIERATEL	Sierra Leone Telecommunications Company
SLIHS	Sierra Leone Integrated Household Survey
SOE	State-Owned Enterprises
TSA	Treasury Single Account
TSC	Teaching Service Commission
UK	United Kingdom
UNDP	United Nations Development Program
USAID	United State Agency for International Development
VGGT	Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests
WARFP	West Africa Regional Fisheries Program
WB	World Bank
WBG	World Bank Group
WDI	World Development Indicators

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REPUBLIC OF SIERRA LEONE

THIRD PRODUCTIVITY AND TRANSPARENCY SUPPORT GRANT

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic	If programmatic, position in series
P169498	Yes	3rd in a series of 3

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.

Organizations

Borrower:	REPUBLIC OF SIERRA LEONE
Implementing Agency:	ANTI CORRUPTION COMMISSION, MINISTRY OF FINANCE, MINISTRY OF AGRICULTURE AND FORESTRY, MINISTRY OF FISHERIES AND MARINE RESOURCES, MINISTRY OF LANDS HOUSING AND COUNTRY PLANNING, TEACHING SERVICE COMMISSION

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Financing	**100.00**

DETAILS

International Development Association (IDA)	100.00
IDA Grant	100.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

High

Results

Indicator Name	Baseline	Target
Number of Licensed Private Firms in the Seed Sector	[0][2015]	[>10][2021]
Average yield of rice, measured as production in metric tons (MT) per hectare (ha)	[1.1][2015]	[1.8][2021]
Number of Licensed Private Firms in the Fertilizer	[0][2015]	[>10][2021]
Share of land plots owned by women (%).	[20.7][2015]	[30.7][2021]
Number of active industrial fishing licenses	[111][2015]	[60][2021]
Electricity lost as percentage of electricity distributed	[38][2015]	[28][2021]
Share of Government Expenditure on fuel subsidy (in percent of GDP)	[2][2017]	[0][2021]
Absenteeism rate of teachers on payroll (percent)	[30][2016]	[15][2021]
Share of Government Accounts in commercial banks (percent)	[90][2016]	[10][2021]
Share of public procurement transactions conducted through open competition (percent)	[45][2016]	[85][2021]
Percentage of new mining leases compliant with EIRL	[0][2016]	[100][2021]
Share of public officials that have submitted asset declaration form	[20][2016]	[90][2021]

1. INTRODUCTION AND COUNTRY CONTEXT

1. This program document proposes an SDR 73.2 million (US$ 100 million equivalent) International Development Association (IDA) grant to the Republic of Sierra Leone for the Third Productivity and Transparency Support (PTSG-III) Development Policy Financing (DPF)—the last in the programmatic series. The proposed DPF 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. It is central to the World Bank's country engagement around priorities for unlocking growth as articulated in the 2018 Systematic Country Diagnostic (SCD). The global outbreak of the Coronavirus in March 2020 and its subsequent spread to Sierra Leone will have considerable adverse health and economic implications for the country (Box 1). The proposed operation will therefore help provide the much-needed fiscal space for the government to respond to the outbreak and mitigate the economic and health impacts of the crisis.

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 mineral and agricultural production, two sectors in which commodity prices are externally determined and highly unpredictable. Volatile commodity prices have translated into increased fluctuation in output in these two sectors. With population growth at 2.1 percent, in 2018 real income per capita grew by only 1.3 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 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. Governance and institutions remain weak and the poor business environment impedes 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 and public confidence in institutions. 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 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 in 2018. With a Gini index of 34, income inequality is quite high in Sierra Leone. The COVID-19 crisis is likely to worsen the health and poverty conditions in the country.

6. To support the government in its efforts to achieve stable and inclusive growth, the proposed operation focuses on two primary areas/pillars: (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 government transparency and accountability. Specifically, on governance, 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. The immediate liquidity provided by this operation will provide the government with the fiscal space needed to respond to the ongoing COVID-19 pandemic.

7. Since the first operation in the series, the authorities have made significant progress towards the achievement of results under the program (see Table 1). The number of licensed private firms in both the seeds and fertilizer market has increased sharply as has self-sufficiency in rice production. The total number of (15) private sector firms now in the seed sector has exceeded the target set under the program (10). Two new fertilizer companies have been licensed to produce organic fertilizer. The average yield of rice has increased from 1.1 MT per hectare (ha) in 2015 to 1.6 MT per ha in 2018, close to the target of 1.8 MT per hectare under the program. Gender balanced national and regional land oversight committees have resulted in better integration of the voice of the citizens in remote areas, and especially women. Under the fisheries reforms, the implementation of Vessel Monitory Systems (VMS) has allowed the inshore exclusion zone to become and remain effective thus providing the basis for the artisanal fishery to at least maintain the level of fish production. The new fisheries regime has increased government revenues from Le30 billion in 2015 to Le100.5 billion in 2019 and reduced the number of fishing vessels, to 68 in 2019 from 111 in 2015. In education, the new teacher attendance monitoring system has resulted in a reduction in teacher absenteeism to 11.9 percent in February 2020, surpassing the 15 percent target under the program. Finally, under the transparency pillar of the program, procurement reforms have resulted in increased competition and better value for money as evidenced by the fact that some 94 percent of all procurement activities were carried out through open competitive bidding methods, exceeding the 85 percent target under the program.

Table 1: Summary Assessment of Program Results

Result Indicator	Baseline	Target	Current Status of Results (2020)
Results Indicator 1: Number of Licensed Private Firms in the Seed Sector	0 (2015)	10 (2021)	**Exceeded**: 15 private sector firms have been licensed to operate in the seed sector.
Results Indicator 2: Average yield of rice, measured as production in metric tons (MT) per hectare (ha)	1.1 (2015)	1.8 (2021)	**On track**: average yield of riced reached 1.6 MT per ha in 2018, close to the target of 1.8 MT per ha
Results Indicator 3: Number of licensed private firms in the fertilizer market	0 (2015)	10 (2021)	**On track**: 2 private sector firms have been licensed to produce organic fertilizer. However, majority of the seed companies also trade in fertilizer.
Results Indicator 4: Share of land plots owned by women (%). .	20.7 (2015)	30.7 (2021)	**On-track**: New Land laws expected to be enacted to empower women to own land in the customary setting which was previously not allowed.
Results Indicator 5: Number of active	111 (2015)	60 (2021)	**On track**: Although not yet achieved, the number of

industrial fishing licenses			active industrial vessels fell sharp to 68 in 2019, close to the target.
Results Indicator 6: Electricity lost as percentage of electricity distributed.	38% (2015)	28% (2021)	**On track**: losses have remained high (36%) despite reforms. However, revenue recovered has increased significantly.
Results Indicator 7: Share of Government Expenditure on Fuel Subsidy (in % of GDP)	2 (2017)	0 (2020)	**Achieved:** The Government has continuously met the require zero subsidy on fuel since 2018
Results Indicator 8: Absenteeism rate of teachers on payroll	30% (2015)	15% (2021)	**Exceeded**: The pilot of the teacher attendance monitoring system puts the level of absenteeism at 11.9 percent in February 2020.
Results Indicator 9: Share of Government Accounts in commercial banks	90% (2016)	10% (2021)	**Exceeded**: Following the introduction of the TSA, the share of Government Accounts in commercial banks have fallen drastically to about 8%.
Results Indicator 10: Share of public procurement transactions conducted through open competition.	45% (2016)	85% (2021)	**Exceeded**: 94% all procurement activities were carried out was through open competitive bidding methods in 2018.
Results Indicator 11: Percentage of new mining leases compliant with the Extractive Industry Revenue Law (ERIL)	0 (2016)	100 (2021)	**Achieved**: All new mining leases are made to fully comply with the EIRL.
Results Indicator 12: Share of public officials that have submitted asset declaration form	20% (2015)	90% (2020)	**On track**: ACC is currently assessing status of compliance with the new asset disclosure regulation. The result will be available in April 2020

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

8. Sierra Leone's post-Ebola-crisis economic expansion picked up in 2019. Preliminary estimates for 2019 indicate growth of 5.1 percent, up from 3.5 percent in 2018. On the supply side, as in 2018, growth was supported mainly by agriculture (2.3 percent) and services (2.5 percent). Faster agricultural growth was primarily the result of increased output of key domestic crops such as Rice, Cassava, and Groundnut, which in part were supported by the reforms aimed at increasing agricultural productivity and diversifying the economy. Growth in services was supported by transportation (air and sea), communication and insurance. The ratio of trade in services to GDP was 12.7 percent in 2018, a decline of 4.5 percent relative to the previous year. Between 2017-18, arrivals of non-resident tourists at Sierra Leone's borders grew by 10.48 percent. On the demand-side, growth was spurred mainly by investment (3 percent) and private consumption (3 percent), which grew by 8.6 percent and 4.1 percent, respectively. Other components of demand—government spending (-0.1 percent), net exports (-0.8 percent)—had negligible but negative contributions to growth. The negative contribution of net exports to aggregate growth was in part due to the reduction in iron ore exports as a result of the closure of mines.

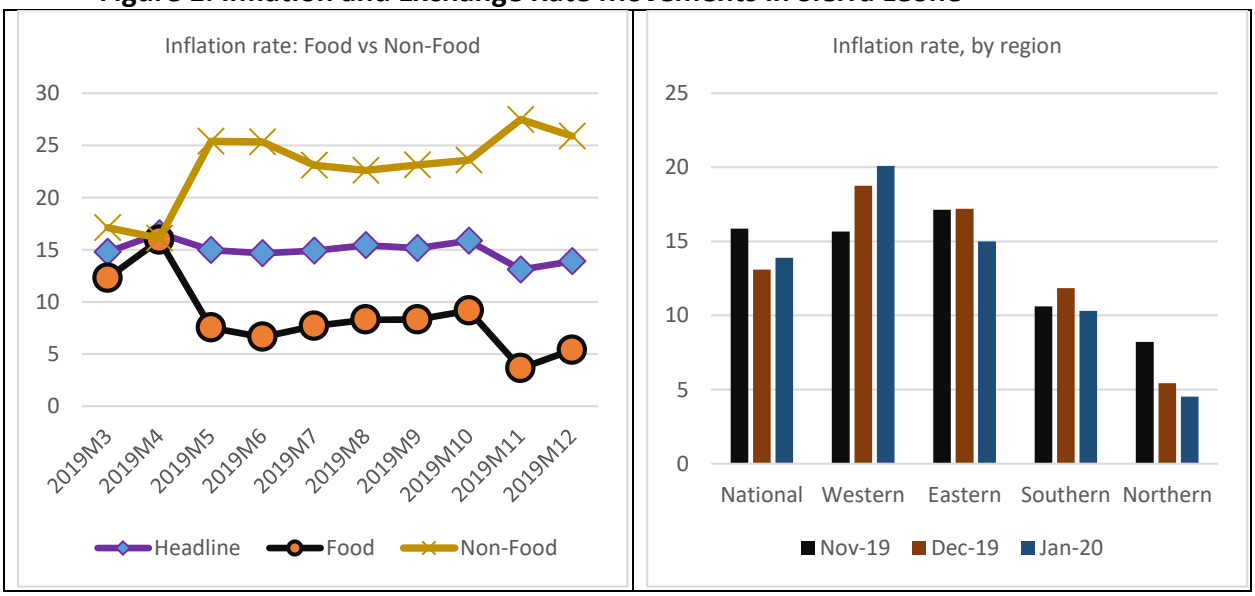
Table 2: Selected Economic and Financial Indicators

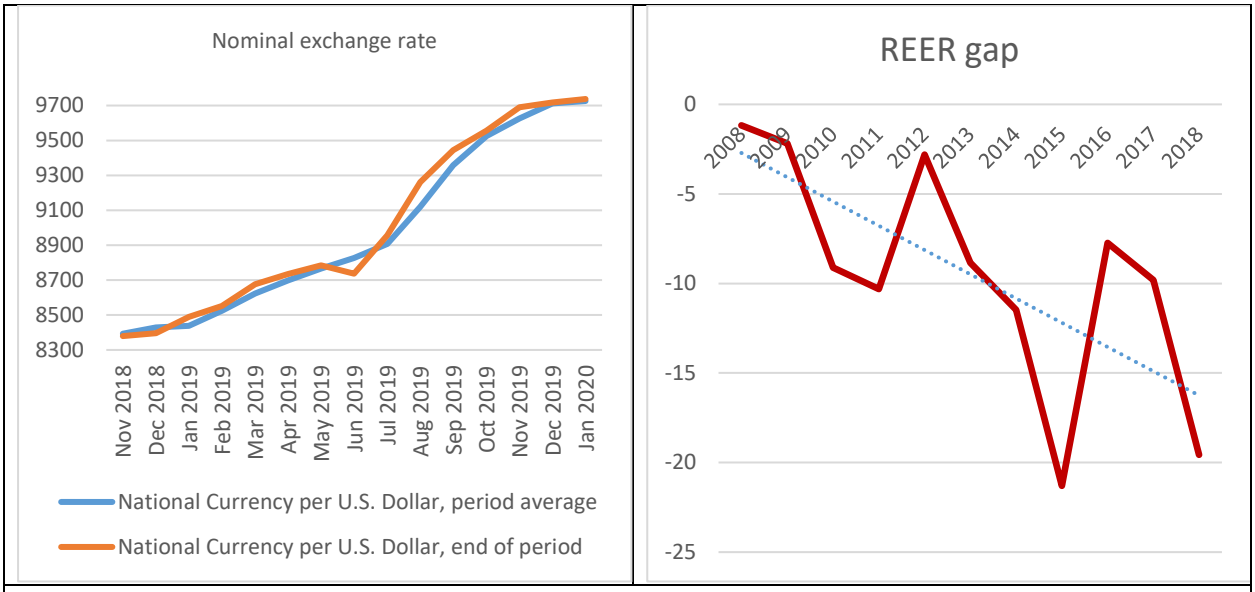
	2017	2018	2019e	2020 Initial p	2020 Rev p	2021p	2022p	2023p
	(Annual percent change, unless otherwise indicated)							
National account and prices								
Growth								
GDP at constant prices	3.8	3.5	5.1	4.2	-2.3	4.0	4.5	4.5
GDP excluding Iron ore	3.6	5.4	4.5	4.4	-1.7	3.5	4.4	4.4
Inflation								
Consumer prices (end-of-period)	15.3	14.2	13.9	13.0	17.0	13.5	11.1	9.8
Consumer prices (average)	18.2	16.0	14.8	13.4	15.4	15.3	12.3	10.5
External sector								
Terms of trade (deterioration -)	15.5	-9.9	-4.2	2.3	0.3	-5.2	-1.7	-1.6
Exports of goods	-0.3	-2.0	11.4	28.1	-14.0	35.8	12.1	12.3
Imports of goods	23.7	0.6	4.7	4.0	-5.9	4.5	4.7	4.9

Gross international reserves, months of imports 1/	3.8	3.7	3.5	3.7	4.1	3.8	3.6	3.5
Money, credit and reserves								
Domestic credit to the private sector	4.9	30.6	22.9	9.3	6.9	15.2	19.0	15.0
Domestic credit to the priv sector in percent of non-iron GDP	5.2	5.6	6.0	5.7	5.8	5.7	5.9	5.9
Base money	9.0	6.5	12.4	26.3	24.1	16.8	15.5	14.3
M3	7.0	14.5	14.3	17.4	15.4	16.8	15.5	14.3
Gross Intl. Reserves (excluding swaps, in US$ millions)	501	487	506	572	545	543	543	548
Net Intl. Reserves (excluding swaps, in US$ millions)	128	107	125	154	127	124	160	227
	(Percent of non-iron ore GDP, unless otherwise indicated)							
National accounts								
Gross capital formation	19.0	16.9	15.9	17.6	16.6	16.6	17.5	18.8
Government	8.5	6.4	5.4	6.6	6.8	6.2	6.5	6.8
Private	10.5	10.5	10.5	11.0	9.8	10.4	11.0	12.0
National savings	-2.2	-1.8	1.9	6.3	2.4	4.2	5.9	8.3
Financing and debt								
Public debt	69.4	68.7	67.4	66.6	72.7	73.4	71.5	68.7
Domestic	28.0	27.9	24.7	19.4	21.8	21.2	20.1	19.0
External public debt (including IMF)	41.4	40.8	42.7	47.2	50.9	52.2	51.4	49.7
External sector								
Current account balance 2/								
(including official grants)	-21.1	-18.7	-14.0	-11.3	-14.2	-12.4	-11.6	-10.5
(excluding official grants)	-22.5	-19.7	-17.4	-15.2	-18.4	-15.4	-14.7	-13.5
Central government budget								
Domestic primary balance 3/	-4.5	-0.5	-0.6	0.3	-1.7	-0.4	0.4	0.6
Overall balance	-8.8	-5.6	-2.9	-3.3	-5.4	-5.4	-4.0	-3.6
Overall balance (excluding grants)	-11.3	-7.7	-6.3	-7.4	-9.7	-7.9	-6.5	-5.8
Revenue (excluding grants)	12.3	13.7	14.3	14.8	13.9	14.5	15.1	15.7
Grants	2.5	2.1	3.4	4.0	4.3	2.5	2.5	2.2
Total expenditure and net lending	23.5	21.4	20.6	22.2	23.6	22.5	21.6	21.5
Memorandum item:								
GDP at market prices (billions of Leone)	27,465	32,402	37,911	43,846	41,736	49,037	56,919	65,278
Excluding iron ore	27,257	32,402	37,588	43,569	41,736	48,710	56,483	64,723
Excluding iron ore in millions of US$	3,700	4,082	4,142	4,149	3,902	3,879	3,943	4,050
Per capita GDP (US$)	498	534	535	523	489	480	478	482
National currency per US dollar (average)	7,366	7,938	9,076	...	...	...	...	...
National currency per US dollar (EOP)	7,537	8,396	9,755	...	...	...	...	...

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.
1/ Refers to reserves and imports in current year.
2/ The unusually small 2016 current account balance is because there was unusual large negative errors and omissions (-13 percent of GDP).
3/ Revenue less expenditures and net lending adjusted for interest payments, foreign financed capital spending, and arrears paydown from grants.

Figure 1: Inflation and Exchange Rate Movements in Sierra Leone





Source: Sierra Leonean Authorities, IMF and WB Staff Estimates and Projections
Note: The Real effective exchange rate (REER) is defined as the nominal effective exchange rate (a measure of the value of a currency against a weighted average of several foreign currencies) divided by a price deflator or index of costs. A decline in the REER corresponds to an appreciation of the corresponding currency. The REER gap is defined as the deviation of actual REER from its equilibrium (or trend) level, with a negative gap indicating an overvaluation.

9. Inflation eased in 2019 but remains relatively high, driven by increases in non-food prices. The average annual rate eased from 16.0 percent in 2018 to 14.8 percent in 2019 (Table 2), with the year-on-year headline inflation in January 2020 at 13.9 percent (Figure 1). Still, Sierra Leone's inflation remains high. The average rate for Sub-Saharan Africa was only 4 percent in 2018. Sierra Leone's relatively high inflation rate is driven primarily by non-food price increases, which at 25.9 percent in January 2020, was five times higher than that of food inflation (5.4 percent). The rapid depreciation of the Leone has also contributed to keeping the headline inflation high. Between 2018-19, the Leone depreciated by 14.3 percent against the US dollar, driving up the prices of key imported commodities such as fuel and rice, whose demand is very inelastic. Furthermore, substantial variation in inflation rates exists across regions in the country, with higher rates in the Western region, which comprises the largest city Freetown.

10. The Bank of Sierra Leone (BSL) has adopted a tighter monetary policy stance to reduce inflation, but faces important challenges given the still large fiscal deficit. With the support of the IMF, the monetary authorities have continued efforts to strengthen the role of indirect instruments, with monetary aggregates as the operating target. In 2019, broad money increased by 12.4 percent, up from 6.5 percent in 2018. The financial sector's claims on the central government as a share of non-iron ore GDP declined from 13.1 percent in 2018 to 12.5 percent in 2019. Growth of broad money slowed despite the BSL's accommodation of the government's financing needs during the last quarter of 2019. Between September and December 2019, broad money grew by only 5.5 percent while claims on central government grew by 16.5 percent. Government's borrowing from the BSL often takes the form of bridge loans from the BSL in the expectation of disbursement of Official Development Assistance. Given the rising financing needs of the central government and the limited availability of external financing, this issue of fiscal dominance, if not addressed, is likely to sustain the already high inflationary pressure.

11. Sierra Leone's financial sector remains broadly stable despite wide variation in vulnerabilities among banks. Private banks are well capitalized, liquid, and profitable. Non-performing loans (NPLs) are on a downward trend, although there are substantial differences in recorded NPLs across banks. Between December 2017 and December 2018, the ratio of non-performing loans to total loans decreased from 14.6 percent to 12.7 percent and further to 12.1 percent in September 2019, largely as a result of a write-off of bad loans in the two state-owned banks under enhanced BSL supervision. The enhanced BSL supervision also led to improved capital adequacy ratios for both private and state-owned banks. Domestic credit to the private sector increased by 22.9 percent in 2019, a slowdown from the 30.6 percent growth in 2018, but still one of the best performances in West Africa. The key sectors benefiting from credit growth included construction and commerce and to a lesser extent manufacturing, agriculture, mining and transportation and communication.

12. While the Leone has been depreciating in nominal terms recently, it has been appreciating in real terms. The real effective exchange rate has appreciated recently as a result of the high inflation relative to trading partners' inflation and the high interest rate spread of the country. In 2018, the deviation of the real effective exchange rate from its long-run norm was 20 percent (Figure 1). Such a real exchange rate gap poses significant challenges for Sierra Leone's external competitiveness at a time when the country needs to boost and diversify its exports to drive growth.

13. External imbalances have improved, primarily driven by increasing exports, which have outstripped the growth in imports. Sierra Leone's trade balance improved substantially in 2019. Imports of goods grew by 4.7 percent, up from just 0.6 percent in 2018. But exports increased at a much faster rate of 11.4 percent, mainly reflecting increased exports of diamonds, as iron-ore exports collapsed due to the recent shutdown of mines. The current account deficit narrowed from 18.7 percent of GDP in 2018 to 14.0 percent of GDP in 2019. The current account deficit was primarily financed by foreign direct investment and official capital inflow while foreign borrowing grew only slightly at 0.6 percent in 2019 (Table 4). The country managed to maintain an adequate international reserve cover of 3.5 months of imports, slightly down from 3.7 months of cover in 2018. In 2019, the country's terms of trade deteriorated by 4.2 percent, reflecting a sizable external demand shock.

Table 3: Fiscal Operations of the Central Government (Percent of non-iron Ore GDP)

	2017	2018	2019e	2020p	2020r*	2021p	2022p	2023p
Total revenue and grants	**14.8**	**15.7**	**17.7**	**18.9**	**18.2**	**17.1**	**17.6**	**17.9**
Revenue	12.3	13.7	14.3	14.8	13.9	14.5	15.1	15.7
Tax revenue	11.1	11.8	12.1	12.6	11.6	12.3	12.8	13.5
Non-tax	1.1	1.9	2.2	2.3	2.3	2.3	2.3	2.2
Grants	2.5	2.1	3.4	4.0	4.3	2.5	2.5	2.2
Expenditures and net lending	**23.5**	**21.4**	**20.6**	**22.2**	**23.6**	**22.5**	**21.6**	**21.5**
Current expenditures	15.1	14.7	15.0	14.9	16.3	15.6	14.6	14.3
Capital Expenditure	8.5	6.4	5.4	6.6	6.6	6.2	6.4	6.7
Net lending	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent expenditure	0.0	0.3	0.1	0.1	0.1	0.2	0.2	0.2
Arrears Paydown (cash)	0.0	0.0	0.1	0.6	0.6	0.5	0.4	0.3
Domestic primary balance 2/	-4.5	-0.5	-0.6	0.3	-1.7	-0.4	0.4	0.6
Overall balance including grants	-8.8	-5.6	-2.9	-3.3	-5.4	-5.4	-4.0	-3.6
Overall balance excluding grants	-11.3	-7.7	-6.3	-7.4	-9.7	-7.9	-6.5	-5.8
Financing	**8.8**	**5.6**	**2.9**	**3.3**	**5.4**	**5.4**	**4.0**	**3.6**
External financing (net)	2.8	2.2	0.6	1.2	1.2	1.5	1.5	1.4
Domestic financing (net)	6.0	3.4	2.3	2.2	4.2	3.9	2.5	2.2
Memorandum item:								
Total Stock of Arrears	11.3	10.4	9.5	…		…	…	…
Non-iron ore GDP (Le billions)	27257	32402	37588	43569	41736	48710	56483	64724

Sources: Sierra Leonean authorities; and Fund staff estimates and projections.
*Reflects preliminary impact estimate of COViD-19 as of early April 2020. World Bank team is working closely with the authorities

and the IMF to update these estimates prior to Board presentation.

14. The fiscal balance improved in 2019 thanks to higher domestic revenue mobilization and better expenditure controls. In 2019, the central government fiscal deficit was 2.9 percent of non-iron ore GDP, a substantial improvement from the previous year's deficit of 5.6 percent of non-iron ore GDP (Table 3).[1] The ratio of domestic revenue to non-iron ore GDP increased from 13.7 percent in 2018 to 14.3 percent in 2019, supported by a faster increase in tax revenues, especially corporate income taxes and import duties (from growth in imports) as well as recent measures taken by the government to reduce tax exemptions. Official Development Assistance continues to be an important component of total revenue. Grants increased by 90 percent in 2019 and represented 3.4 percent of non-iron ore GDP. On the expenditure side, total expenditures to non-iron ore GDP declined slightly from 21.4 percent in 2018 to 20.6 percent in 2019 due primarily to better prioritization of (while recurrent mainly non-priority expenditures to non-iron ore GDP increased by only 0.3 percentage point between 2018-19).

15. The stock of domestic payment arrears remains substantial. The pre-April 2018 stock of verified domestic payment arrears is estimated at Le 3.3 trillion or 8.7 percent of non-iron ore GDP. Since April 2018, the government has accumulated an additional 0.75 percentage point of non-iron ore GDP in payment arrears, which leads to a total stock of 9.5 percent of non-iron ore GDP. These arrears mainly are unpaid bills by ministries, departments and agencies in the road, security and energy sectors as well as unpaid checks at the Ministry of Finance. They represent an important risk to, among others, financial stability given the potential impact on contractors' ability to service their bank loans. The government has developed an arrears clearance strategy supported by the IMF and with a broad engagement with stakeholders. The clearance strategy emphasizes the following principles: (i) agree on haircuts/discounting, rescheduling and other repayments to contractors to reduce the net present value of the stock[2]; (ii) mobilize grants and revenues to finance the payments; and, (iii) prevent further accumulation of arrears through better cash and debt management. Based on these principles, the government's fiscal framework assumes projected arrears paydown of 0.6 percent of non-iron GDP in 2020 (or US$30 million) and 0.5 percent of GDP annually for the period 2021-23. Given the financial needs for priority spending as well as the high deficit, a front-loaded arrears clearance scenario appears impractical but the authorities are committed to using a combination of negotiated haircuts, rescheduling, and paydown to deal with the stock of arrears. Consistent with the LIC-DSA framework, the total stock of payments arrears of 9.5 percent of non-iron ore GDP is included in the public debt figures reported in Table 2. Setting up a comprehensive arrears' clearance strategy will be important for short term macroeconomic stability and medium-term fiscal sustainability.

16. With improvements in the fiscal position since 2018, public debt as a ratio to non-iron ore GDP has started to decline. The ratio of government debt to non-iron ore GDP decreased from 68.7 percent in 2018 to 67.4 percent in 2019 (Table 1). However, liquidity indicators are pointing to an increased risk of debt distress, as the growth rates of government revenues and export revenues have not kept pace with the rate of increase of debt service. In 2019, debt service was 14.6 percent of government revenues and 7.9 percent of exports earning,

[1] This fiscal deficit includes grants but excludes the amortization of the existing stock of payment arrears.

[2] More specifically, the key principles of the arrears clearance strategy are: (a) cash repayment, with benefit of large upfront haircut, financed out of general government revenues. (b) agree repayment terms with suppliers, with combination of haircut and repayment terms. (c) agree repayment terms with suppliers, with combination of haircut and repayment terms, with repayment terms backed by issuing a non-tradeable security to the supplier; and (d) general financing of arrears through issuance of securities—which is regarded as a last resort.

up from 13.7 and 7.3 percent, respectively in 2018. Given the large external share of public debt and the continued depreciation of the exchange rate, the country is exposed to debt-related currency risks.

17. The Government has taken important steps to enhance debt transparency. The authorities have recently expressed interest to have a link to their debt pages on the IDA debt website. This important step will allow the international community, including bilateral and multilateral donors, as well as private investors to access a comprehensive set of key debt-related information on the country. In particular, information on debt distress risk and IDA's non-concessional borrowing policy status will thus be publicly disclosed. Furthermore, the government is committed to increasing the coverage of its debt in the IMF/World Bank Debt Sustainability Analysis framework.

Table 4: Balance of Payments Financing Requirement and Sources, US$ Million

	2017	2018	2019	2020 Initial P	2020 Rev. P	2021	2022	2023
Financing requirements	**821.3**	**806.9**	**630.0**	**521.0**	**607.9**	**538.0**	**521.3**	**496.4**
Current account deficit	781.5	762.6	581.8	466.9	553.8	479.3	458.2	426.3
Amortization	39.8	44.3	48.2	54.1	54.1	58.7	63.1	70.1
Other outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing sources	**821.3**	**806.9**	**630.0**	**521.0**	**607.9**	**538.0**	**521.3**	**496.4**
FDI	413.7	250.5	367.6	235.3	239.4	252.4	315.3	358.0
Capital account	147.7	66.3	97.5	120.1	115.5	95.0	94.9	97.1
Disbursements	151.6	112.7	172.3	158.2	167.5	134.8	168.2	170.3
Change in reserves	53.7	-3.8	-13.5	-30.1	-3.4	2.7	-36.2	-67.2
IMF credit (net)	36.5	3.6	6.1	37.5	35.1	1.2	-37.0	-61.8
Other inflows (inc. errors & omissions)[1/]	18.1	377.6	0.0	0.0	53.8	51.9	16.1	0.0

[1/] Includes exceptional financing from IMF Catastrophe Containment and Relief Trust (CCRT)

Source: Sierra Leonean Authorities, IMF and WB Staff Estimates and Projections

18. As a result of internal and external imbalances, external financing requirements are high. The country's total external financing requirements is estimated at US$630 Million (15.2 percent of non-iron ore GDP) in 2019 (Table 4). This substantial external financing need was mainly driven by the current account deficit mentioned above. Amortization and debt service also contributed to this financing need but to a lesser extent. External financing need was primarily met by FDI and portfolio inflows. Gross external financing requirements are expected to decline slightly to US$607.9 Million in 2020 due to a narrowing of the current account deficit from the 2019 level.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

19. The COVID-19 pandemic and the outbreak in Sierra Leone has significantly clouded the country's medium-term growth prospects and heightened downside risks. Prior to the COVID-19 pandemic, growth was projected at 4.3 percent in 2020 and to average 4.6 percent over the medium term (2021-23). However, with the global COVID-19 crisis and the spread of the virus to Sierra Leone, the economy could contract by 2.3 percent in 2020 and growth could be lower than the original projections between 0.3 and 1.8 percent over the medium term. The downside risks to this outlook are also heightened, depending on the duration of the global pandemic and the implications for the opening of borders and markets for Sierra Leone exports as well as essential imports,

including food. An extended crisis in the face of limited inventory could precipitate a food security crisis as well as lead to major disruptions in the service sector (trade, tourism and transportation in particular) with substantial job losses and increased poverty. Should these risks materialize, the medium-term growth prospects could be much weaker, including the risk of an extended recession over the medium term.

Box 1: COVID-19: Transmission Channels, Impact and Policy response

The Global COVID-19 pandemic and the outbreak in Sierra Leone in mid-March 2020 will have significant adverse health and economic implications for the country. The economic implications operate through both direct and indirect channels, and as such may be difficult to quantify precisely especially in light of the uncertainties related to the intensity and duration of the outbreak. On the supply side, the outbreak has disrupted both domestic and international supply chains. The experience of affected countries shows that there is likely to be factory/store closures and cutbacks in production as confinement and social distancing guidelines are instituted. This will lead to loss of wages and household income. These supply-side implications are more likely to be more pronounced in the mining and services sectors. On the demand side, private consumption will likely be reduced as households focus on essential goods only. Despite, lower private consumption, inflation pressures could rise (as a result of disruptions in supply chains) leading to welfare loss. Overall, an outbreak of COVID-19 is estimated (as of early April) to lead the economy to contract in 2020 by 2.3 percent in the baseline scenario and by 3.5 percent in the downside scenario.

Table B1: Sierra Leone: Estimated Economic Impact of COVID-19

	Initial 2020 Projection (March 2020)	Revised 2020 Projection (baseline)	Revised 2020 Projection (downside)
Real GDP Growth (%)	***4.2***	***-2.3***	***-3.5***
Fiscal deficit (% of GDP)	3.3	5.4	8.9
Revenues (% of GDP)	14.8	13.9	13.0
Expenditure (% of GDP)	22.2	23.6	25.0
Current account deficit	11.3	14.2	17.4

Note: The baseline scenario assumes that the country manages to slow and stop the expansion of the pandemic in a relatively short period of time. In this scenario, the main channel of transmission is the global slowdown, with limited economic cost of the outbreak domestically. The downside scenario by contrast assumes that the efforts to slow the pandemic are unsuccessful and global slowdown and domestic consequences of the outbreak remain prolonged.

Fiscal impact

The fiscal cost of COVID-19 is likely to be substantial in Sierra Leone. The outbreak will depress government revenues and increase government expenditure. On the revenue side, tax on goods and services as well as corporate income tax and personal income tax, which represent more than 60 percent of tax revenue, will be negatively affected by the depressed economic activity on account of the outbreak. Tax on international trade would also decline as a result of reduced trade flows. Overall, tax revenue is likely to decline by 0.9 percentage point of GDP in 2020. On the expenditure side, the fiscal cost of supporting the health system in terms of surveillance, isolation and treatment of those affected by the disease is likely to be substantial, thereby widening the fiscal deficit and worsening the debt dynamics. Total expenditure (including on health) is expected to increase by 1.4 percentage points of GDP in 2020. The fiscal deficit is estimated to deteriorate by 2.1 percentage points of GDP in 2020 relative to pre-COVID. In the downside scenario, the fiscal cost is higher, with the deficit increasing by 3.5 percentage points.

External sector

Sierra Leone's trade flows are already affected by the outbreak of COVID-19, namely the slowdown in economic activity among its main trading partners, Europe and China. With the domestic COVID-19 outbreak, trade and tourism activities will be further reduced. Demand for the country's export as well as prices of exports will further collapse as will imports due to border closures. As a result, the current account deficit is projected to worsen from 11.3 percent of GDP pre-COVID to 14.2 percent of GDP with COVID in the baseline scenario and further to 17.4 percent in the downside scenario. In addition, the welfare impact of reduced imports, particularly of food imports, could be substantial. The COVID-19 outbreak could also lead to a collapse of international financial flows, especially FDI and portfolio flows as well as remittances, putting further burden on the Leone and thereby exacerbate inflationary pressures. The estimated additional BOP financing need is about $120 million over 2020-22.

Poverty and Social implications

The COVID-19 outbreak could setback progress on poverty reduction as growth slows and inflationary pressures rise, and jobs and livelihoods are lost. Most of the rural poor (84.1%) are in subsistence agriculture but still depend heavily on imported food, especially rice. Furthermore,

about a third of rural farming households also get income from self-employment, about two thirds of these self-employment activities are in retail trade, mostly via market stalls or mobile sellers. Restrictions on movement and market closures would have dire consequences for these small businesses and informal sector operators. Self-employment in small businesses is the main source of income for over a third of the urban poor.

Policy response
The Government had taken some pre-emptive measures in response to the global outbreak even before Sierra Leone had it first case of the virus and has taken additional measures since the outbreak in Sierra Leone. These measures include: a comprehensive Contingency Plan (Le 13 billion or US$1.3 million); the establishment of Quarantine Centers at the main border crossing points; restriction of public gatherings and travel bans. Furthermore, Bank of Sierra Leone has instituted special measures, including: (i) reduction of the monetary policy rate by 150 basis points to 15%; (ii) provision of Le500 billion (US$50 million) to finance procurement of essential goods; and (iii) increase of the reserve requirement maintenance period from 14 to 28 days.
On the World Bank side, a COVID-19 Emergency Preparedness and Response IPF (US$7.5 million) has been prepared to support the country's contingency plan and expected to be approved by the Board in April 2020. There are ongoing discussions for the World Bank to support government projects to mitigate the impact of Covid-19 on the rural/urban poor and vulnerable groups.

20. Inflationary pressures were expected to continue to ease over the medium term, but this could be derailed by the effects of the virus outbreak. The average annual inflation rate was expected to decline to high single digits in 2023 and further moderate to 8.0 percent by 2025 under the assumption that the BSL would be able to maintain its tight monetary policy stance, manage volatility in the foreign exchange markets and maintain an adequate reserve coverage to reduce vulnerability to adverse external shocks. However, the COVID-19 pandemic and the consequent disruption of the global supply chain has increased the challenge to lower inflation over the medium term, particularly in terms of food imports and food inflation. Average inflation could rise to 15.4 percent in 2020. On the positive side, lower oil prices could help to mitigate some of the inflationary pressures.

21. Sierra Leone's external position was expected to improve in 2020 and over the medium term, but progress is now likely to be adversely affected by the COVID-19 pandemic. Strong exports and slowing imports were expected to narrow the current deficit to 11.3 percent of GDP in 2020 from 14.0 percent in 2019. Strong net inflows on the capital was expected to raise gross reserves to 3.7 months of import cover in 2020 before settling back an average of 3.5 months of import cover over the medium term. Gross financing needs were therefore expected to decline from US$630 million in 2019 to US$521 million in 2020. However, the COVID-19 pandemic (depending on the duration) is likely slow or completely stop exports, dry up remittances and is therefore likely to result in a widening of the current account deficit to 14.2 percent of GDP and increase the gross financing needs to US$607.9 million in 2020 before it moderates to an average of about US$518million over the medium term. On a positive side, FDI is projected to pick up gradually after 2020 due to planned investment from a new mining company that has recently taken over the operation of the Tonkolili Mine. The Government has also awarded a new mining license for the production of Zircon.

22. The fiscal position was expected to improve over the medium term but the COVID-19 outbreak in Sierra Leone could undo or slowdown the progress on fiscal consolidation. The overall fiscal balance was projected to improve over the medium term, reflecting the revenue mobilization efforts, spending prioritization and efficiency gains. On the revenue side, the Government committed to continue with rationalizing tax exemptions and waivers, improving tax administration and collection through automation and expanding the recently initiated TSA by including additional MDAs to continue to increase non-tax revenue. However, the results of these efforts could be blunted by reduced economic activity and the inability of many firms to pay taxes, on account of low sales. On the expenditure side, the Government planned to continue with a tight control over the wage bill;

strengthen commitment controls, cash and debt management, and clear the existing stock of payment arrears. The need for increased social spending for the health response to the COVID-19 crisis and to protect the poor and vulnerable could also be undermined. With lower revenues and increased spending, the overall budget deficit could increase from the originally projected 3.3 percent of GDP to 5.4 percent of GDP in 2020 before being contained at 3.6 percent of non-iron ore GDP in 2023.

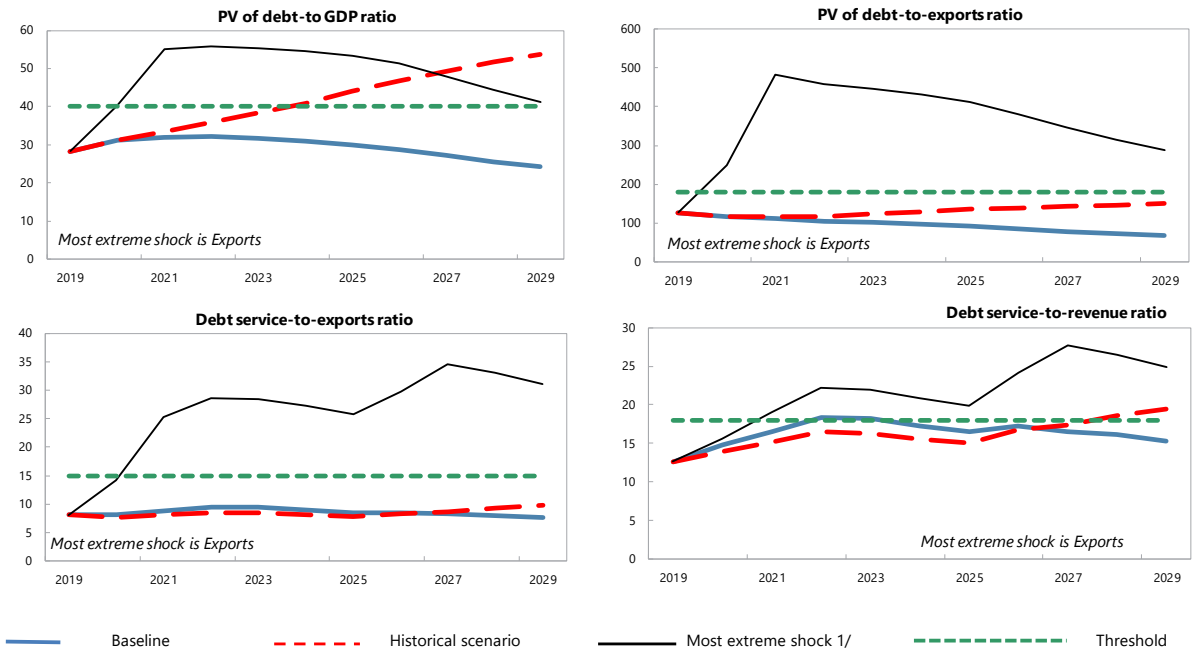
23. The 2019 IMF-World Bank debt sustainability framework assessed the country's risk of overall and external debt distress to be both "high". Under the baseline scenario, the external debt-service to revenue ratio breaches the threshold by a small margin during 2022-2023 (Figure 2). The Present Value (PV) of the external debt-to-GDP ratio remains above the benchmark throughout the period of the IMF-supported program, and the external debt service-to-revenue ratio substantially breaches the threshold through 2029. The public debt service-to-revenue ratio will rise to nearly 49 percent by 2022, before it starts to gradually fall. The recently verified large stock of domestic arrears also poses substantial risks to fiscal sustainability. The economy remains vulnerable to adverse shocks, while uncertainty in the mining sector clouds export and growth prospects. Nonetheless, Sierra Leones debt is assessed to be sustainable under the program's policy regime. Reducing the debt requires a comprehensive arrears clearance strategy and continued fiscal consolidation supported by strengthened public financial management, expenditure controls and continued efforts to mobilize revenues. External borrowing should continue to be anchored by the objective of reducing the risk of debt distress. Public debt sustainability would be vulnerable to fiscal and extreme shocks to both growth and exports.

24. The macroeconomic outlook faces considerable downside risks, which have been heightened by the COVID-19 pandemic and the outbreak in Sierra Leone. Lower than expected revenue mobilization from reduced economic activity in the face of substantial spending pressures, including to respond to the COVID-19 outbreak could severely worsen fiscal imbalances and payment arrears. Similarly, lower commodity prices for Sierra Leone's principal exports, coupled with low global demand for its exports due to the global recession precipitated by the COVID-19 pandemic, in the context of the US-China trade tension, could dampen exports and worsen external imbalances, particularly if imports remain at current levels. The weak financial positions of the two state-owned banks could be further worsened if the levels of non-performing loans (NPLs) rise as a result of the economic shock from the COVID-19 outbreak. This could undermine efforts to restructure these banks and pose risks to the financial sector. Finally, if the COVID-19 becomes widespread across Sierra Leone this could have considerable adverse health and economic effects that could push the economy into an extended recession over the medium term. Some of these risks are mitigated by the authorities' proactive measures taken even before the country had it first case of COVID-19 (see Box1). In addition, the risks are also mitigated by support through the IMF ECF program as well as the World Bank's support to the authorities in these areas (see the macro risks in the risk section) as well as under this proposed operation. However, the residual risks, particular those related to the impact of the Coronavirus are high given the uncertainty of the duration of the global crisis as well as the outbreak of the virus in Sierra Leone.

25. Sierra Leone's macroeconomic framework is considered adequate for the proposed operation although the short-term situation is made worse and the medium-term outlook is more uncertain as a result of the COVID-19 pandemic and the virus outbreak in Sierra Leone. Prior to the COVID-19 pandemic and the outbreak in Sierra Leone on March 30, 2020, real GDP was projected to expand faster, with the output gap expected to close by 2020-2021. The internal and external imbalances were expected to narrow, with inflation expected to return to single-digits, and fiscal and current accounts deficits were expected to be much lower over the medium term. The authorities remain committed to fiscal consolidation, reducing inflation to single digits, improving

external balance and staying on track with the IMF program, notwithstanding the enormous challenges to macroeconomic management posed by the COVID-19 crisis. They have also maintained an active dialogue with the World Bank and other development partners on structural reforms, including those supported under this DPF. International support is critical to mitigate the COVID-19 impacts on Sierra Leone, including support through this operation.

Figure 2: Indicators of Public Debt and Publicly Guaranteed External Debt[3] under Alternative Scenarios, 2018-2028



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	No	No
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

[3] Joint World Bank and IMF Debt Sustainability Analysis, September 2018.

2.3. IMF RELATIONS

26. The IMF Board approved the Review of the 2019 Article IV as well as the second review of the Extended Credit Facility (ECF) on April 3, 2020, which allowed for the disbursement of SDR15.555 million (US $21.13 million) to Sierra Leone under the ECF. With the rapid escalation of the COVID-19 pandemic, the IMF Board then approved on April 13 relief on debt service under the Catastrophe Containment and Relief Trust (CCRT), covering total debt service falling due to the IMF over the next six months and expected to be extended to a maximum of two years from April 14, 2020. The ECF is a 43-month program for SDR124.44 million (USD171.73 million), which was approved in November 2018. The program is on track and the reform agenda under the ECF aims to secure fiscal sustainability, create space for priority spending, and lay the foundation for inclusive growth and poverty reduction. Some progress has been made in reducing macroeconomic imbalances despite challenges in the fiscal and external sectors. All the end-June 2019 quantitative performance criteria and indicative targets were met; some, including the net credit to government and net domestic assets of the BSL by large margins. Targets for domestic revenues, poverty related spending and the domestic primary balance were also met. An IMF technical mission visited Sierra Leone in September 2019 to help the government develop an arrears clearance strategy.

3. GOVERNMENT PROGRAM

27. Sierra Leone's Medium-term National Development Plan (MTNDP-I) is the fourth in the series of national development policy frameworks that builds on the third Poverty Reduction Strategy Paper (PRSP-III), the Agenda for Prosperity (AfP). The Plan provides the operational framework for the Government's "New Direction Manifesto" for improving people's lives through education, inclusive growth, and building a resilient economy. The plan covers the first five years—2019 to 2023—of a 20-year vision for attaining middle-income status for the country. It focuses on eight clusters: (i) Human Capital Development; (ii) Diversifying the Economy and Promoting Growth; (iii) Infrastructure and Economic Competitiveness; (iv) Governance and Accountability for Results; (v) Empowering Women, Children, the Adolescents and Persons with Disability; (vi) Youth Employment, Sports and Migration; (vii) Addressing Vulnerability and Building Resilience; and (viii) Means of Implementation. The Plan is aligned with the global SDG goals and provides the platform for donor coordination.

28. Increasing productivity, efficiency, and accountability is at the core of the MTNDP-I. Increasing agriculture productivity and developing fisheries are among the top priorities of cluster II of the MTNDP-I. In the agriculture sector, transformative interventions driven by greater private sector participation combined with improved agricultural extension services are expected to boost productivity and improve household incomes. In the fisheries sector, the overall goal of the MTNDP-I is to generate value addition and jobs, ensure food security, and increase exports, while maintaining sustainability. In addition to the direct interventions in agriculture and fisheries, the MTNDP-I promotes productivity growth through increased access to and improved quality of electricity as well as improved learning outcomes to enhance skills development. The MTNDP-I also highlights the importance of efficient management of public funds, and of reducing fiscal leakages and enhancing revenue mobilization through increased transparency and government accountability The Government is promoting a culture of zero-tolerance against corruption through a strengthened anti-corruption system and improved procurement processes.

4. PROPOSED OPERATION

29. 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 the 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, 2018). Although this programmatic series was started in 2016, well before the outbreak of COVID-19, many of the reforms supported by the program will help to mitigate the impact of the COVID-19 and ensure a strong recovery from the crisis.

30. By focusing on increasing agricultural productivity, the proposed program aims to contribute to raising Sierra Leone's income per capita over the medium term. Despite a steady recovery with average annual GDP growth of 4.8 percent since 2016, Sierra Leone's GDP per capita is still below its pre-crisis level. As a result of the Ebola crisis, GDP per capita declined by more than 22 percent, from 749.8 USD in 2014 to 582.3 USD in 2015. Since then, GDP per capita has grown by average annual rate of 2 percent but remains 20 percent below its 2014 level. Agriculture is the sector with highest potential for increasing income per capita in the medium term. It employs more than 60 percent of the country's labor force but has the lowest level of labor productivity. Agricultural productivity growth (first pillar) will help smallholder farmers and rural population increase their income. The program also aims to increase productivity and income per capita through increased transparency (second pillar). Improving governance and transparency, including through anti-corruption measures, will increase participation, services and income of the most vulnerable groups of the population (SMEs, women, young population, small farmers, etc.).

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

31. The DPF series supports five of the eight pillars of the MTNDP-I. These are: (i) diversifying the economy, (ii) human capital development, (iii) empowering women, children, the adolescents and persons with disability, (iv) addressing vulnerability and (vi) building resilience. The operation also supports transparency and accountability in key decision-making processes, which are identified in Cluster 4 of MTNDP-I – governance and accountability for results. The link between the proposed operation and the Government's agenda is summarized in Table 5 below.

Table 5: Link Between the Proposed Series and MTNDP-I

PRSP-IV (MTNDP-I)	Proposed PTSC series
Cluster 2: Diversifying the Economy	Pillar 1: creating the conditions for increased productivity in selected economic sectors (agriculture (fisheries and land), energy and education).
Cluster 7: Addressing Vulnerabilities and Building Resilience	
Cluster 1: Human Capital Development	
Cluster 5: Empowering Women, Children, the Adolescents and Persons with Disability	
Cluster 3: Infrastructure and Economic Competitiveness	
Cluster 4: Governance and Accountability for Results	Pillar 2: improving transparency in selected government decision making processes.
Cluster 2: Youth Employment, Sports and Migration	Covered in other World Bank operations and by other donors.
Cluster 8: Means of Implementation	

32. This operation builds on the lessons from previous DPFs, including the first two operations of the current series, and similar operations in fragile countries. It incorporates lessons from the previous programmatic series of Governance Reform and Growth Grants (GRGC I-VI, P095575, P102040, P107335, P117822, P126199 and P133107) as well as the Emergency Economic and Fiscal Support Operation (EEFSO, P146726). The main lessons derived from these operations include: (i) the benefits of a programmatic approach outweigh the risks in a post-conflict country's state-building process; (ii) it may be unrealistic to expect rapid changes in economic and social conditions in fragile post-conflict situations ; (iii) objectives should be commensurate with local capacity; and (iv) using budget support in tandem with investment lending and technical assistance is crucial and very effective in a fragile country. Such linkages have been established for example between the series and the Smallholder Commercialization and Agribusiness Development Project (SCADeP, P153437), the Revitalizing Education Development in Sierra Leone Project (REiSLDP, P163161), the Energy Sector Utility Reform Project (ESURP, P120304), the West Africa Regional Fisheries Program (WARFP, P162343) and the Public Financial Management Improvement and Consolidation Project (PFMICP, P162667).

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

33. The 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 6).

Table 6: 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		
To enhance private sector participation and access to seeds for farmers, the Recipient has (a) through its Minister of Agriculture and Forestry prepared and presented to Parliament the Seed Certification Agency Regulations and the Regulations have matured into law; and (b) established and operationalized the Seed Certification Agency, all as evidenced by (i) the certificate of maturity of [date] issued by the Clerk of Parliament; (ii) minutes dated July 25, 2019 for a board meeting of the Seed Certification Agency, and (iii) a letter dated April 2, 2020 from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing at the Seed Certification Agency.	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)	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.
To boost local production of rice, the Recipient has through its Cabinet approved and adopted the National Rice Policy, 2020 and Implementation Strategy and Roadmap, as evidenced by (i) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (ii) letter dated April 22, 2020 from the Permanent Secretary, MAF forwarding approved copies of the National Rice Policy and the Rice Value Chain Development Strategy with said Cabinet-approved copies attached	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)	Rice offers good potential for driving agriculture sector growth and strengthening dynamic linkages to other parts of the economy
To promote private sector participation in fertilizer supply and enhance farmer access	AfP (2013-2018), SDC - (2018), Agricultural Sector Review (2014), Labor Force Survey	Productivity growth in agriculture is constrained by very low access to

to fertilizer, the Recipient has (a) through the Minister of Agriculture and Forestry prepared and presented to Parliament the National Fertilizer Regulatory Agency (NaFRA) Regulations and the regulations have matured into law, and (b) established and operationalized the NaFRA, including the appointment of its governing Board, all as evidenced by (i) the certificate of maturity of March 31, 2020 issued by the Ag. Clerk of Parliament; (ii) a certificate of passage indicating Parliamentary approval of the nomination of the chairperson for the NaFRA Board, (iii) minutes dated April 28, 2020 for a meeting of the NaFRA board; and (iv) a letter dated April 2, 2020, from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing of NaFRA.	(2014), Agriculture Value Chain Analysis, (United States Agency for International Development (USAID), 2016), CFSVA (2015), NATP (2019 – 2023)	improved fertilizer and low incentives for the private sector's participation in the fertilizer market.
To improve land administration systems and increase access and security of tenure, especially for women and other vulnerable groups, the Recipient has through its Ministry of Lands, Housing and Country Planning, prepared advanced drafts of the Land Commission Bill and Customary Land Rights Bill (the "Bills") and conducted consultations in the East, South, North and North West regions of the Recipient's territory, fully documenting the input and recommendations of said consultations into a final report fully considered by its Cabinet, as evidenced by (i) the advanced drafts of the Land Commission Bill, 2020 and the Customary Land Rights Bill, 2020 both of date March 16, 2020, (ii) final Report on Regional Consultations dated February 12, 2020 endorsed by the Permanent Secretary, Ministry of Lands, Housing and Country Planning documenting input from consultations, and (iii) a confirmation of Cabinet decision letter dated May 6, 2020 from the Secretary to the Cabinet and Head of the Civil Service confirming that the Report on Regional Consultations was presented to the Cabinet and that the report will inform the drafting of the Bills.	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).	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.
To strengthen governance in the fisheries sector, the Recipient has (a) through its Minister of Fisheries and Marine Resources, prepared and presented to Parliament the Fisheries and Aquaculture Regulations and the regulations have matured into law; and (b) through its Cabinet, approved and adopted the National Plan of Action to prevent, deter and eliminate Illegal, unreported and unregulated fishing ("National Plan of Action"), all as evidenced by, (i) the certificate of maturity issued by the Clerk of Parliament; (ii) cabinet minute paper dated February 19, 2020 and	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).	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).

confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (iii) a memorandum dated April 14, 2020 from the Deputy Minister, Ministry of Fisheries and Marine Resources copied to the Country Manager World Bank, Sierra Leone office forwarding a copy of the approved National Plan of Action.		
To strengthen the Electricity Distribution and Supply Authority's (EDSA) governance and technical efficiency, the Recipient has through the board of directors of EDSA (a) approved and adopted a new organizational structure; and (b) and appointed staff to fill senior management positions, as evidenced by (i) a Board resolution dated November 25, 2019, and (ii) appointment letter dated January 22, 2020 for a distribution and technical services director, appointment letter dated December 24, 2019 for a quality assurance and compliance manager, appointment letter dated November 18, 2019 for a head of management accounts and financial planning and appointment letters dated September 18, 2019 for a chief financial officer and a commercial services director.	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).	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).
To promote equitable deployment of teachers across the country, the Recipient has through the Teaching Service Commission (TSC) established a pilot for a nationwide teacher attendance monitoring system (TAMS) and through the TSC's Board of Commissioners approved and adopted a teacher deployment protocol and incentive strategy, as evidenced by (i) signed minutes of the TSC Board of Commissioners dated January 3, 2020; (ii) signed Teacher Deployment Policy dated December 2019; and (iii) final report on the TAMS pilot dated March 1, 2020.	TSC Act 2011, ASC (2015), Situation Room Reports (2016), CSR (2013), PAD REDP (2014), Payroll Verification Study (2017), Gbamanja Commission of Enquiry Report (2010).	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 position. The problem is most acute at primary.
Pilar 2: Improving transparency and accountability in selected government decision making processes		
To enable the implementation of a nationwide e-procurement system, the Recipient has through the National Public Procurement Authority prepared and presented to Parliament the Procurement Regulations and, said Procurement Regulations have matured into law, as evidenced by the certificate of maturity issued by the Clerk of Parliament..	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.
To enable implementation of the Anti-Corruption Commission (Asset Declaration) Regulations, 2019, the Recipient has enacted an amendment to the Anti-Corruption Act, 2008 to, as evidenced by Gazette supplement volume CXLX, no. 88 dated December 22, 2019.	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)	The perception of corruption is high in Sierra Leone (county ranked 129th in the Transparency International Corruption Perception Index. Developing a more effective asset disclosure system and integrating it into wider anti-corruption programs can be a critical element for preventing corruption.

Pillar 1: Creating the conditions for increased productivity in selected economic sectors

34. The first pillar of the DPF series supports reforms in three critical areas for productivity growth. These are agriculture, including land and fisheries, and two cross-cutting areas, energy, and education. Boosting productivity in agriculture is critical as agriculture and fisheries represent more than half of GDP, two-thirds of total employment, and three quarters of employment outside of Freetown—the capital city. The agriculture and fisheries sectors together account for the country's second largest export earnings after mining and have the highest potential for economic diversification. The agriculture sector is also where most of the poor and women work. Outside of the natural resource sector, boosting productivity and job creation requires significant increase in capital per worker and skills, making critical the access to improved education. A reliable and affordable supply of energy is critical for improving productivity and private investment in the economy.

35. The COVID-19 pandemic has posed a significant threat to food security in net food importing countries, such as Sierra Leone. Social distancing restrictions to prevent COVID-19 have caused disruptions in food supply chains, particularly in the services sector resulting in the closure of schools, hotels, restaurants and entertainment spots. The reforms under pillar 1 of the program which are focused on laying a solid foundation for inclusive economic growth have enhanced the capacity of the country to respond to these threats. In agriculture, enhancing the delivery of inputs (seed and fertilizer) to farmers through the private sector--in addition to the rice policy and strategy-- is helping the country to raise domestic food production to match the shortfall in food imports. Robust teacher management through an independent Teaching Service Commission has allowed the authorities to continue to provide tuition to pupils through radio, television and on the internet. The operation, by supporting efficiency and sound governance systems in the energy sector, has allowed the authorities to maintain power supply despite the fall in revenue from the sector.

Policy Area: Agriculture

PTSG-III Prior Action #1*: To enhance private sector participation and access to seeds for farmers, the Recipient has (a) through its Minister of Agriculture and Forestry prepared and presented to Parliament the Seed Certification Agency Regulations and the Regulations have matured into law; and (b) established and operationalized the Seed Certification Agency, all as evidenced by (i) the certificate of maturity of [date] issued by the Clerk of Parliament; (ii) minutes dated July 25, 2019 for a board meeting of the Seed Certification Agency, and (iii) a letter dated April 2, 2020 from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing at the Seed Certification Agency.*

36. Context and Problem. Sierra Leone's economy is predominantly agrarian with agriculture accounting for more than 40 percent of GDP and employing about 61 percent of the labor force (Labour Force Survey Report (LFS) (2014)). The 2014 Labor Force Survey also reported that 90.7 percent of people working in agriculture are self-employed, with 8.5 percent engaged in unpaid labor, and just 0.8 percent in wage employment. The share of women in agriculture self-employment is 54 percent compared to 46 percent for men. Also, the 2018 Sierra Leone Integrated Household Survey (SLIHS) Report showed that 52.2 percent of household heads that cultivated land in past twelve months were female; suggesting that more women are engaged in small scale agriculture than men[4]. Despite a steady increase in investment (up to 7 percent of GDP) in medium to large scale agriculture

[4] According to the 2015 Population and Housing Census with 57.9 per cent of households engaged in agricultural production with the majority of those households (42.2 per cent) headed by men and just 15.7 per cent headed by women.

in the decade since the end of the civil war[5], productivity of the sector remains low and dominated by low-input and low-output subsistence activities. Despite favorable conditions, yields are low for most crops and are only about a third of their potential levels. According to the Food and Agriculture Organization (FAO), average cereal yield was at 1,710 kilogram per hectare on average in the last five years, less than half of the world's average and a third of yields in Vietnam.

37. Most smallholder farmers are constrained by the lack of improved seeds. The 2018 SLIHS Report showed that 58 percent of household obtain seeds from the previous year's harvest while 41 buy seeds from the market, with only one percent of households obtaining seeds from Government or nongovernment organizations. The FAO's CFSVA, 2015 found that only 10.3 percent of farmers use improved seed varieties. Increased access to agricultural inputs, especially improved seed varieties, could substantially increase agricultural productivity. Access to seeds is even more difficult for women who constitute the majority of those self-employed in agriculture

38. **Policy Reform.** The reform under the operation aims at providing the legal framework for private sector participation in the provision of seeds through the approval of the Seed Regulations by Parliament and the establishment of the Seed Certification Agency (SCA). This is aimed at increasing access to seeds for all farmers especially women through increased private sector delivery. The Seed Act was approved by parliament (PTSG-II Prior action #1) in 2018, paving the way for importing, exporting, growing, or processing seeds in commercial quantities, and the distribution of certified seeds by any licensed dealers. The Seed Regulation was also approved by parliament in 2020 and the SCA has been established (PTSG-III Prior action #1). The Seed Regulation is well aligned with regional and international standards[6] on seed production, storage, certification and marketing. The President has appointed the Chairman and Board Members of SCA while staff from the Ministry of Agriculture have been seconded to the agency to commence operations. The SCA is expected to submit a report on its performance to the Minister of Agriculture, and Forestry (MAF) within three months after the end of each budget year. To respond to food security threat posed by COVID-19, Government has tasked SCA to coordinate the delivery of seeds to farmers through the private sector.

PTSG-III Prior Action #2: *To boost local production of rice, the Recipient has through its Cabinet approved and adopted the National Rice Policy, 2020 and Implementation Strategy and Roadmap, as evidenced by (i) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (ii) letter dated April 22, 2020 from the Permanent Secretary, MAF forwarding approved copies of the National Rice Policy and the Rice Value Chain Development Strategy with said Cabinet-approved copies attached.*

39. **Context and Problem.** Rice, the main staple food, is produced by 95 percent of farmers. According to SLIHS (2018) 83 percent of agricultural households cultivated rice in the past twelve months with 52.2 percent of females cultivating land including rice. Consequently, half of the population rely on rice farming for their livelihoods. The annual per capita consumption of rice (131kg) is among the highest in Sub-Saharan Africa. While rice cultivation has increased by 40 percent (to 1,030,450 ha) between 2014 and 2017, yield per hectares have

[5] The civil war lasted for more than a decade (1990 – 2002) and caused the displacement of 30 percent of the population with farms abandoned for Freetown and other cities or neighboring countries.
[6] ECOWAS Regulation C/Reg.4/05/2008 on Harmonization of the Rules Governing Quality Control, Certification and Marketing of Plant Seeds and Seedlings in ECOWAS Region.

not increased proportionately (from 1.11 metric tons (MT) per ha in 2014 to 1.36MT per ha in 2017)[7]. Rice production is characterized by low yields, largely attributed to the lack of improved technologies, low levels of value chain integration, lack of access to input and output markets, low institutional capacity particularly for the provision of agricultural research and development services. The country produces only about 60 percent of domestic demand with the remainder provided through imports (estimated at US$ 191.4 million in 2018). Slight disruptions in domestic supply and/or international commodity price shocks caused sharp increases in food inflation. The Government recognizes the need to focus its interventions on policy formulation and facilitation of private sector engagement in the rice sub-sector to achieve self-sufficiency in rice production. A new rice sector development policy and strategy is critical to attaining rice self-sufficiency (estimated at 69 percent in 2018[8]) and addressing emerging challenges in the rice sector, including those associated with COVID-19.

40. Policy Reform. The reform under the operation supports the development of the Rice Sector Development Policy and Strategy (PTSG-III Prior action #2), which is expected to promote increased domestic production (from to 1.1MT per ha to 1.8 MT per ha in 2021) and reduce import dependence. The policy complements the Seed and Fertilizer Regulations by promoting linkages between investment in agriculture and smallholder farmers – enabling the migration from subsistence to mechanize commercial production of rice. Government has promptly responded to COVID-19 challenges by accelerating the implementation of the policy to close the shortfall in imported food supply. The Rice Sector Development Policy and Implementation Strategy and a Roadmap will be pivotal for unlocking productivity of smallholder famers with women being major beneficiaries.

PTSG-III Prior Action #3: *To promote private sector participation in fertilizer supply and enhance farmer access to fertilizer, the Recipient has (a) through the Minister of Agriculture and Forestry prepared and presented to Parliament the National Fertilizer Regulatory Agency (NaFRA) Regulations and the regulations have matured into law, and (b) established and operationalized the NaFRA, including the appointment of its governing Board, all as evidenced by (i) the certificate of maturity of March 31, 2020 issued by the Ag. Clerk of Parliament; (ii) a certificate of passage indicating Parliamentary approval of the nomination of the chairperson for the NaFRA Board, (iii) minutes dated April 28, 2020 for a meeting of the NaFRA Board; and (iv) a letter dated April 2, 2020, from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing of NaFRA.*

41. Context and Problem. The use of improved agricultural inputs is constrained by inefficiency in distribution. Fertilizer use is estimated at 4kg per ha compared to 9kg per ha for sub-Saharan Africa. According to the 2018 SLIHS report, only 9 percent of farming households use organic or natural fertilizers, 8.3 percent use inorganic or chemical fertilizers, 1.9 percent use herbicides or pesticides, and 4 percent use improved agricultural practices. The low usage of fertilizers is associated with unavailability and the high cost, which reduces access, especially among women who are in the majority. The fertilizer supply chain is inefficient, as delivery by the Ministry of Agriculture (MAF) is often with significant delays, which in turn lead to suboptimal usage and consequently lower yields. Of farmers who used fertilizers during the 2014–2015 cropping season, 39 percent received supply from the Government while 41 percent purchased from shops or traders (CFSVA, 2015). The private sector's entry into the agricultural inputs market, including fertilizers, is also crowded out by government

[7] With national milled rice estimated at 701,651MT in 2018, Sierra Leone required about 1,018,771MT of milled rice to meet the consumption needs of 7.8 million people given the per capita consumption of 131kg.
[8] Actual rice self-sufficiency for consumption is estimated at 59 percent, with 10 percent attributable to seeds for replanting, animal feeds and cross-border trade. The remaining 40% rice deficit in consumption is filled up rice imports and consumed primarily in Freetown and other Urban in towns (where 30% of the population is resident).

provision and lack of proper regulations. In the absence of regulations and quality enforcement, costs will remain high and products in the market are also more likely to be sub-standard.

42. Policy Reform. The operation builds on reforms initiated under PTSC-I and PTSG-II to promote private sector participation in the supply of fertilizer. The adoption of a national fertilizer law consistent with the National Fertilizer Policy of 2017 and the ECOWAS fertilizer regulation provides the legal framework for increased private sector participation in the fertilizer market. With increased private sector participation, the cost of fertilizer is expected to fall, thereby boosting women's access considerably. The Government enacted the National Fertilizer Regulatory Agency Act, 2018 (PTSG-II Prior action #2). For PTSG-III, the Parliament approved the National Fertilizer Regulation in February 2020. Also, the Government established the National Fertilizer Regulatory Agency (NaFRA) and the President appointed the Board members, who are entrusted with the overall task of implementing the Regulation (PTSG-III Prior action #3). While putting in place these public institutions, the Government is gradually withdrawing from the direct supply of fertilizer to farmers, thereby creating space for greater private sector participation and increased access to fertilizer for farmers, including women. These new arrangements are expected to enhance the coordination of private sector delivery of fertilizer to farmers during the COVID-19 pandemic.

43. Expected Results. The last in the series of the DPF 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 seeds and fertilizer. This is expected to increase the number private sector firms in the fertilizer and seed sector from zero in 2015 to 10 by 2021, respectively. Under the program, the number of licensed private firms in both the seeds and fertilizer market is expected to increase as self-sufficiency in rice production increases. The MAF has licensed two seed importers, five seed growers, seven seed sellers and one seed processor. Currently, the total number of private sector firms in the seed sector (15) has exceeded the target set under the program (10). Two fertilizer companies have been licensed to produce organic fertilizer. The average yield of rice has increased from 1.1 MT per ha in 2015 to 1.6 MT per ha in 2018, close to the target of 1.8 MT per ha. With regard to ensuring better quality of inputs (both seeds and fertilizer), the Government commissioned the National Seed Testing Laboratory in 2018 to carry out seed quality testing. The President has appointed the Chairs and Board Members for both agencies. Separate budget codes have been created and allocations made in the 2020 budget for the full operationalization of both agencies. Staff from the MAF have been seconded to the agencies to commence operations. The National Seed Board (NSB), and Variety Release and Registration Committee (VRC) have been inaugurated to supervise the activities of the SCA. MAF is receiving support under the World Bank SCADeP project to set up fertilizer testing facilities and support the operations of NaFRA and its Board. The agriculture reforms have provided a solid basis for the Government's response to the food security challenges posed by COVID-19.

Policy Area: Land

PTSG-III Prior Action #4: *To improve land administration systems and increase access and security of tenure, especially for women and other vulnerable groups, the Recipient has through its Ministry of Lands, Housing and Country Planning, prepared advanced drafts of the Land Commission Bill and Customary Land Rights Bill (the "Bills") and conducted consultations in the East, South, North and North West regions of the Recipient's territory, fully documenting the input and recommendations of said consultations into a final report fully considered by its Cabinet, as evidenced by (i) the advanced drafts of the Land Commission Bill, 2020 and the Customary Land Rights Bill, 2020 both of date March 16, 2020, (ii) final Report on Regional Consultations dated February 12, 2020 endorsed by the Permanent Secretary, Ministry of Lands, Housing and Country Planning documenting input from*

consultations, and (iii) a confirmation of Cabinet decision letter dated May 6, 2020 from the Secretary to the Cabinet and Head of the Civil Service confirming that the Report on Regional Consultations was presented to the Cabinet and that the report will inform the drafting of the Bills.

44. Context and Problem. Land is a key input for agricultural production and an important collateral to access financial resources. Land is abundant in Sierra Leone, but access is not equal. The average household land holding was 3.8 ha in 2014 (LFS 2014). The SLIHS (2018) showed that only about 63.5 percent of households owned or cultivated land in the last twelve months at the national level, up from 54 percent in SLIHS (2011). The country's Constitution of 1991[9] acknowledges the existing dual land tenure system[10]. This policy of dualism allowed traditional tenure systems to coexist with introduced European tenure concepts (predominantly in the Western Area, which includes the capital city, Freetown). Outside Freetown and the Western Area, the land tenure system is based on customary rules, with chiefs and family heads making decisions on annual allocations. Nearly all of the land territory, where predominantly agricultural and mining activities take place, are administered under Customary Law (leasehold system). Under the traditional customary family law, women have less access to and control over land than men. Although, the Devolution of Estates Act of 2007 removed the customary prohibition against women owning property (thus making men and women equal in the distribution of estate), in many cases, women are still denied the right to inherit and own land. The LFS (2014) found that of all land plots, 67.8 percent are owned by men while only 20.7 percent are owned by women. The remaining 11.6 percent are owned by households. In practice, a woman's continued interest in land and property owned by her husband remains dependent on two factors: first, whether she bore children with the husband or second, if she chooses to remarry a male relation of her deceased husband. Women also have smaller average landholdings due to traditional systems of land distribution. The average plot held by women is smaller than that of men (8.3 acres versus 11.1 acres). Youths (ages 15–35) have plots that are one-third smaller than those aged 36–64 (LFS 2014). The inherent instability in customary tenure depresses investment in long-term improvements and perennial cash crops, such as cocoa and coffee

45. Policy Reform. The proposed operation supports the reform of the existing land tenure system to create a functional land administration system critical for promoting access to and security of land tenure, especially among women. Specifically, the adoption of the Customary Land Rights and Land Commission Laws is expected to lead to an increase in female landownership from 20.7 percent to 30.7 percent by 2021. A national consensus on the proposed Land Commission and Customary Land Right Bills (PTSC-III prior action #4) is critical for improving land administration and increasing access and security of tenure for women. Both the Land Commission Bill and Customary Land Rights Bill are expected to be consistent with international good practice, namely: the key principles of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT)[11]. In 2017, the Government launched the National Land Policy (NLP), which sets in motion the implementation process. The objectives of the NLP are to safeguard Sierra Leone's land tenure system and rights for land users, streamline and modernize land transactions, encourage sustainable use of land and natural resources and responsible investment, resolve systemic conflicts between the formal system and

[9] www.sierra-leone.org/Laws/constitution1991.pdf

[10] The Constitution endorses the right to property and preserves the rights and freedoms of the individual, including the protection from expropriation without payment or adequate compensation, and guarantees the protection from deprivation of property including compulsory possession.

[11] The VGGT aims to improve the governance of tenure of land, fisheries and forests with the overarching goal of achieving food security for all and to support the progressive realization of the right to adequate food in the context of national food security. The VGGT emphasizes the centrality of land to development by promoting secure tenure rights and equitable access to land, fisheries and forests.

informal/customary systems and provide fair mechanisms for land disputes resolution. Cabinet adopted the Land Policy Implementation Framework and the National Land Policy Implementation Plan (PTSC-I prior action #3). Gender-based Regional Land Oversight Committees were established to better integrate the voice of the citizens in remote areas, and especially women, critical for maintaining a broad consultative process toward the preparation of new land laws. The Ministry of Land and the Oversight Committees collaborate with civil society organizations to carryout awareness campaigns at the national and sub-national levels to sensitize women about the new laws.

46. Expected Results: The operation aims to ensure that the NLP, Land Commission Law and Customary Land Rights Law are largely consistent with the key principles of the VGGT and increase female ownership from 20.7 percent to 30.7 percent by 2021. To implement the NLP the Government established a Multi-Stakeholder Platform and an institutional framework, based on the VGGT, including an Inter-Ministerial Task Force, a Steering Committee and a Technical Working Group. The NLP Reform Steering Committee, and VGGT-Secretariat were also set up to support and facilitate tenure governance reforms in the land, fisheries and forestry sectors. The VGGT multi-stakeholder institutional framework ensures an inclusive and participatory implementation of the NLP reform process. In addition, gender balanced national and regional land oversight committees with women leads facilitated wider consultations especially among women during the preparation of the land management related bills. The Ministry of Lands and Housing established the Legal Reform Technical Working (LRTWG), comprising MDAs, Civil Society Organizations (CSOs), Academia and Development Partners, to facilitate the preparation of Customary Land Rights and Land Commission Laws. Consultations have been held on the draft Land Commission Bill and Customary Land Rights Bill in East, South, North and North-West regions of the country. A national conference on the Bills that was schedule in March 2020 was postponed due to local restrictions to prevent COVID-19. Government has committed to organizing the conference when the situation improves including submission of the Bills to parliament for approval. Government has continued to ensure that the VGTT principles are followed and reflected in the draft Bills.

Policy Area: Fisheries

PTSG-III Prior Action #5: *To strengthen governance in the fisheries sector, the Recipient has (a) through its Minister of Fisheries and Marine Resources, prepared and presented to Parliament the Fisheries and Aquaculture Regulations and the regulations have matured into law; and (b) through its Cabinet, approved and adopted the National Plan of Action to prevent, deter and eliminate Illegal, unreported and unregulated fishing ("National Plan of Action"), all as evidenced by, (i) the certificate of maturity issued by the Clerk of Parliament; (ii) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (iii) a memorandum dated April 14, 2020 from the Deputy Minister, Ministry of Fisheries and Marine Resources copied to the Country Manager World Bank, Sierra Leone office forwarding a copy of the approved National Plan of Action.*

47. Context and Problem. Sierra Leone has a valuable marine ecosystem able to support populations of demersal fish and crustaceans and attract large and small pelagic stocks shared with regional countries. Total production from the industrial and artisanal fisheries is estimated at about 200,000 metric tons per year, representing 12 percent of GDP in 2015. Fish is a major source of animal protein for over 80 percent of the population, and the sector currently employs about 45,000 men directly as fishermen and about half that number of women employed mostly as fish processors and marketers. In Tombo alone, there are 502 fish smoking kilns, with at least 500 women fish processors. Altogether, the sector is reported to directly or indirectly employ about 10 percent of the country's population. However, the artisanal fishery is an 'open access' sector with no effective control overfishing efforts. There are challenges especially in the area of climate change and illegal unreported

and unregulated (IUU) fishing. Competition over fishery resources from industrial vessels and, IUU fishing practices are threatening the sustainability of the sector. There are destructive fishing activities practiced by both industrial and artisanal fishers. Current levels of fishing efforts of both industrial and artisanal sectors are too high relative to the optimal sustainable level, as reflected in the decline of the catch per unit of effort (CPUE) in both the industrial and artisanal sector. The damage is likely greater as actual catches are higher than reported and IUU fishing is generally hard to estimate. The foreign industrial demersal trawl fishery catches in excess of 100,000 tons per year of ex-vessel value not less than $200 million in return for about $7.5 million in license fees and royalties. There is now an increased competition between industrial vessels and the national artisanal fleet that threatens the protein supply to rural populations. The root cause of the excess fishing effort is weak governance and insufficient surveillance. Sierra Leone was issued a Yellow Card by the European Union (EU) for its failure to fight IUU in April 2016.

48. Policy Reform. This operation aims at strengthening governance in the fisheries sector by reforming the legal framework to support long-term conservation, management, development and sustainable use of fisheries resources and ecosystems in Sierra Leone as well as provide for the development of aquaculture. Fishery reforms have progressed in the last two years. First, the Government ensured that all licensed industrial vessels (other than tuna vessels) were fitted with Vessel Monitoring Systems (VMS) and placed observers on board all trawlers (PTSC-I prior action #4). Second, the Fisheries and Aquaculture Act 2017 was approved by Parliament in 2018 (PTSG-II Prior action #3). Third, a series of regulations were approved by Parliament. The Fisheries (Fee) Regulations, 2018 was approved in July 2018 with the immediate benefit of raising revenue and reducing the fishing effort. Finally, the Fisheries and Aquaculture Regulations were approved in 2019 to provide for punitive and compulsory sanctions and fines for violations of the Act or Regulation (PTSG-III Prior action #5). Cabinet also approved a National Plan of Action (NPOA) early in 2020 to combat IUU to facilitate the withdrawal of the Yellow Card issued by the EU.

49. Expected Results. The operation aims to reduce the number of active industrial vessels from 111 in 2015 to 60 by 2021. The implementation of VMS has allowed the inshore exclusion zone to become and remain effective thus providing the basis for the artisanal fishery to at least maintain the level of fish production. Without the reforms supported by the DPF, the 100 percent coverage of VMS and observers on licensed industrial vessels would not have happened. According to the Ministry of Fisheries and Marine Resources (MFMR), the installation of VMS on industrial fishing vessels led to a significant decrease in incursions in the Inshore Exclusion Zone (IEZ) resulting in improved fish landings, especially by artisanal fishers. The Fisheries (Fee) Regulations approved by parliament in July 2018 has increased earnings from the license, export/trans-shipment, and research fees respectively. A direct benefit of this regulation is the increase in government revenue from fisheries (from Le30 billion in 2015 to Le100.5 billion in 2019) and a reduction in the number of fishing vessels. 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 (excluding Tuna vessels) has fallen sharply to 68 in 2019 from 111 in 2015. The reduction in the number of industrial trawlers decreased competition between industrial fishing and artisanal fishing and led to an increase in landing of fish stocks by the artisanal fishers. Annual fish landings increased by 88 percent to 108,214 tons between 2014 and 2017 but declined to 94,528 in 2018. Increased landing from artisanal fishing is expected to have positive impacts on poverty, food security and improved nutrition for women and children especially during the COVID-19 pandemic and the disruption in the global food supply chain. To respond to the COVID-19 challenges, Government has enhanced its monitoring of the new landing obligation for industrial fishing fleet in the 2019 Fisheries and Aquaculture Regulations which would further contribute to local food

security and nutrition. The NPOA was developed in accordance with the principles and provisions of the FAO International Plan of Action to prevent and eliminate IUU fishing. The NPOA will contribute to reduced trawling effort and contribute to more sustainable fishing activities.

Policy Area: Energy

PTSG-III Prior Action #6: *To strengthen the Electricity Distribution and Supply Authority's (EDSA) governance and technical efficiency, the Recipient has through the board of directors of EDSA (a) approved and adopted a new organizational structure; and (b) and appointed staff to fill senior management positions, as evidenced by (i) a Board resolution dated November 25, 2019, and (ii) appointment letter dated January 22, 2020 for a distribution and technical services director, appointment letter dated December 24, 2019 for a quality assurance and compliance manager, appointment letter dated November 18, 2019 for a head of management accounts and financial planning and appointment letters dated September 18, 2019 for a chief financial officer and a commercial services director.*

50. Context and Problem. Sierra Leone has one of the lowest electricity access rates in the World, about 16 percent, with 90 percent of the 192,000 customers located in the urban parts of Freetown. The electrification rate in the vast rural parts of the country is almost zero. The current installed capacity connected to the main grid is about 104 MW, consisting of 50 MW of hydropower (Bumbuna), 24 MW of heavy fuel oil (HFO) (Kingtom and Blackhall Road) owned and operated by the Government and 30 MW of biomass owned by Adax. In addition, the Government signed two three-year contracts for the supply of 50 MW in the dry season and 30 MW in the rainy season from two HFO power barges owned by the private sector (KarPower).

51. There have been only modest improvements in electricity supply over the last few years and demand for energy now exceeds the supply by more than 30 percent. Indeed, many businesses run high-cost private diesel generators, thus limiting productivity growth and job creation, including in the agro-processing industry. Lack of reliable and affordable access to electricity limits opportunities for women as it restricts the type of business they could choose to engage. In 2011, the Government started the reform of the sector with the adoption of the National Electricity Act, 2011 (the Electricity Act), which unbundled the National Power Authority (NPA) into the Electricity Generation and Transmission Company (EGTC) and the EDSA, which became operational in January 2015. The Electricity and Water Regulatory Commission (EWRC) was established in 2011 with the mandate to determine and review tariffs. Expanding access to electricity depends critically on the financial viability of EDSA. EDSA is solely responsible for collecting and delivering electricity to customers and its performance impacts the entire value chain. Despite relatively high average tariffs of US$0.18 per kilowatt-hour (kWh) in 2018, the electricity sector recovered only 62 percent of cost. EDSA increased utility tariffs by 14 percent on December 1, 2019 in a bid to curb highs losses and reduce debt owed to independent power producers. The increase in tariff is expected to yield an additional revenue. However, EDSA still had a remaining deficit of $20 million in 2019 which could be made worse by the COVID-19 pandemic. Of the estimated total loses, commercial losses owing mainly to theft and pilferage on the network accounts for 23 percent, while technical losses due to poor transmission and distribution systems accounting for 15 percent. Addressing the management and governance challenges of EDSA is critical for reducing both technical and commercial losses. In addition to support to the sector under the proposed operation, the World Bank Group is supporting the West African Power Pool (WAPP – P163033) and the Energy Sector Utility Reform Project (ESURP)-P120304 projects to increase the electricity supply and reduce costs through investment in the transmission and distribution network, including in the national electricity utility, EDSA.

52. Policy Reform. The proposed operation supports the continued implementation of EDSA's strategic plan to improve technical efficiency and the financial situation in the sector. Because large investments in energy require a longer time span, the short-term focus is on reducing commercial losses and increasing collection rate through strengthening EDSA's management and governance, installing pre-paid meters, deploying advanced metering infrastructure for large consumers, and developing data and information systems. Under the PTSC-I, EDSA approved a strategic plan to improve its operations and financial performance, which includes reduction of technical and commercial losses and increase of collection rate (PTSC-I prior action #4). The Board of EDSA approved a Network Configuration Optimization Plan (NCOP) to manage system losses and signed a contract to implement the Plan and install bulk meters (PTSG-II prior action #4). To strengthen EDSA's governance, the Board approved a revised organizational structure and appointed a new management team to put in place effective systems to reduce theft on the network and total commercial losses. (PTSG-III prior action #6). The new institutional setup has allowed EDSA to continue supply power to households despite the shortfall in revenue from private sector due to COVID-19.

53. Expected Results. The operation aims to reduce total system losses (technical and financial), to 28 percent by end-2021 from 38 percent in 2015 and increase EDSA's total revenue collection and financial sustainability. Total technical and commercial losses have declined only slightly to 36 percent in 2019. To reduce losses the Government raised utility tariffs resulting additional revenues of US$7.5 million. A new management was put in place to focus on developing systems to reduce fraud and theft on the network and hence commercial losses. Combined, these measures are expected to reduce losses by 15 percent, boost the financial position of the energy sector (EDSA and EGTC), increase supply of electricity to households and businesses with a positive impact on firm productivity. The anticipated reduction in total system losses will make electricity more affordable especially for women and increase opportunities to engage in a variety of businesses to support their livelihoods. In addition, a budgetary savings for the Government of about 2 percent of GDP per year, could be used for key social services such as health and education especially during COVID-19.

Policy Area: Education

PTSG-III Prior Action #7: *To promote equitable deployment of teachers across the country, the Recipient has through the Teaching Service Commission (TSC) established a pilot for a nationwide teacher attendance monitoring system (TAMS) and through the TSC's Board of Commissioners approved and adopted a teacher deployment protocol and incentive strategy, as evidenced by (i) signed minutes of the TSC Board of Commissioners dated January 3, 2020; (ii) signed Teacher Deployment Policy dated December 2019; and (iii) final report on the TAMS pilot dated March 1, 2020.*

54. Context and Problem. The low quality of education undermines productivity growth in Sierra Leone. Pupils' learning outcomes are generally poor. The 2018 Secondary Grade Learning Assessment12 (SLGA) shows that only 60 percent of pupils in level two of Junior Secondary School (JSS2) are able to demonstrate English language skills expected from a primary-grade pupil, and very unlikely to demonstrate skills expected from any higher grades than primary level. Similarly, only 40 percent of pupils in level two of Senior Secondary School (SSS2) are able to demonstrate English language skills expected from a primary-grade pupil. Overall the SLGA (2018) results revealed that most pupils only show basic English and Math skills, even though they have

[12] Secondary Grade Learning Assessment (SGLA) measures English and mathematics skills of JSS2 and SSS2 students in Sierra Leonean schools. The Government plans to track these learning levels annually for progress.

completed eight (JSS2) to 11 (SSS2) years of formal education and have passed various exams like the National Primary School Examination (NPSE) and Basic Education Certificate Examination (BECE). This is possible because the exams mostly test memory, but the SGLA tests skills. Girls, poorer pupils and pupils in remote schools tend to do worse.

55. More than a decade of research finds unequivocal connection between teacher quality and student learning outcomes. It is widely recognized that teaching time is a key correlate of learning outcomes, especially for disadvantaged children who may have very few opportunities to learn outside school. Teacher absenteeism is high (30 percent) while teacher deployment across the country is inefficient (with some regions having more teachers while others having insufficient teachers). Only half of teachers are qualified for their level and position. In 2011, the Teaching Service Commission (TSC) was established to address all issues concerning teachers, including governance and transparency aspects. The 2011 TSC Act gives the TSC responsibility for all matters pertaining to teacher management. Specifically, the Act empowers the TSC to recruit, promote, deploy, transfer and dismiss teachers in Government and Government assisted schools; register and license all teachers; maintain and upgrade annually a register of all licensed teachers and publish the register in the national Gazette; develop and review standards and codes of professional ethics for teachers; and organize continuing professional development programs for serving teachers. The TSC is also expected to improve transparency and efficiency of teacher management by addressing the perennial problems of ghost teachers, absenteeism and misallocation of teachers. The transfer of teacher responsibilities from the Ministry of Basic and Senior Secondary Education (MBSSE) to the TSC allows the MBSSE to focus on policy making and overall oversight of the education sector as provided for in the Education Act of 2004 such as schools' curriculum and research and development; setting standards for schools and assessing and approving new schools; and providing guidance and counselling for pupils.

56. Policy Reform. The proposed operation supports making the TSC fully functional by assuming all responsibilities for teacher management. Under PTSC-I, the Government renewed its commitment to making the TSC fully functional. In May 2017, the MBSSE signed a Transition Plan for the transfer of assets, functions, and functionaries from MBSSE to TSC (PTSC-I Prior action #5). Subsequently, all teacher assets and records including files and payroll were transferred from MBSSE to the TSC (PTSG-II prior action #5). Under the current operation, the TSC implemented a teacher attendance monitoring system (TAMS) to track attendance and adopt a teacher deployment protocol and incentive strategy that promotes an equitable deployment of teachers (PTSG-III, prior action #7). Although the closure of schools during COVID-19 has disrupted monitoring of teacher attendance, the reforms have allowed TSC to work with teachers to provide tuition on radio, television and on the internet.

57. Expected Results. The expected results at the end of the program are 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. Reducing teacher absenteeism is crucial for improving learning outcome especially for girls and poorer pupils in rural areas who perform poorly on SGLA tests. Under the program, all teacher assets, functions, and functionaries were transferred from MBSSE to TSC. As a preliminary step before the transfer of the assets, the MBSSE and the MoF agreed on the salary scale for the staff of the TSC. The 2019 and 2020 budgets have provisions to fund the TSC's operations. The TSC has also filled all vacancies at its district offices. By taking over the teacher management functions, the TSC is fostering quality assurance in the recruitment and deployment of teachers. The TSC has rolled out a teacher licensing system. The latest school census shows that teacher attendance has improved significantly, with absenteeism rates dropping from 30 to about 20 percent. TSC piloted an automated TAMS to further improve attendance. The

result of the pilot put the level of absenteeism in February 2020 at 11.9 percent, fulfilling the 15 percent target under the program. The Board of TSC also approved an incentive strategy and deployment protocol to enhance equity in the deployment of teachers across the country. The reduction in teacher absenteeism is inextricably linked to improvement in learning outcomes and the operation is on track to achieving its expected results by 2021.

Pillar 2: Improving transparency and accountability in selected government decision making processes

58. Sierra Leone's ability to grow and improve the living conditions for its people depends on the strategic management of its natural resources, including significant improvements in the overall governance (SCD, 2018). While improved sectoral policies have resulted in the attraction of substantial private investments, especially in agriculture and mining, the economic benefits to the population have not been commensurate because of substantial leakages due to weak accountability and transparency in several decision-making processes. The proposed operation supports actions to reduce these leakages, including strengthening public procurement and anti-corruption measures to complement efforts by other development partners on Public Finance Management (PFM) reforms. These systems will provide cross-cutting support to improve the policy environment in the sectors and complement the reforms promoted under the first pillar of the proposed operation.

59. Apart from impending economic downturn, COVID-19 could severely weaken the already weak health infrastructure of Sierra Leone. To prevent the health system from crumbling, Government is expected to significantly increase spending on health in several areas namely: crisis preparedness including increased surveillance, isolation and treatment, medical equipment and drugs, hiring additional health workers and improving public awareness. A successful COVID-19 response should be underpinned by enhanced transparency and accountability in key decision-making processes. The reforms under pillar 2 of the program especially the procurement and asset disclosure regulation provide solid foundations for transparency and accountability in Government's COVID-19 response. Drawing on the lessons from the weak management of Ebola funds, the authorities have issued separate guidelines on the use of funds earmarked for COVID-19 based on the public financial management regulations (2019) and procurement regulations (2020). The asset declaration requirement for public employees is also expected to serve as a deterrent to the misuse of funds.

Policy Area: Public Financial Management (PFM)

PTSG-III Prior Action #8: *To enable the implementation of a nationwide e-procurement system, the Recipient has through the National Public Procurement Authority prepared and presented to Parliament the Procurement Regulations and, said Procurement Regulations have matured into law, as evidenced by the certificate of maturity issued by the Clerk of Parliament.*

60. Context and Problem. Total spending on goods and services and domestically financed investments have nearly doubled from Le1.3 trillion in 2015 and at Le 2.4 trillion in 2019, representing about 30 percent of the budget and 5.0 percent of GDP. Managing this high level of expenditure requires openness, transparency and nondiscriminatory action to ensure equity, efficiency and value for money. Sierra Leone's Public Financial Management Act of 2016 provide the basis for prudent, effective, efficient and transparent management and use of public resources. Given the need to ensure value-for-money, the Government introduced new procurement legislation through the Public Procurement Act (2004), which was revised in 2016. The establishment of the National Public Procurement Authority (NPPA) has improved the regulation and

harmonization of the public procurement processes. Procurement officers have been trained and assigned to ministries departments and agencies (MDAs) and local councils. Despite these improvements, the implementation of the public procurement framework has been weak.

61. Overall compliance with the procurement policy, from preparation of procurement plans to the signing of contracts has been low. The 2017 Public Expenditure and Financial Accountability (PEFA) Report rated Government's overall procurement as poor with a score of "D". The key procurement activities were all rated "D" whilst access to public procurement information was rated "C". PEFA (2017) showed that weak controls on procurement result in higher costs for goods and services and for works contracts. When combined with the delays in the settlement of bills and the resultant increase in costs, value for money is reduced significantly. Also, the Joint IMF and World Bank Public Investment Management Assessment (PIMA, 2020) found huge gaps in the public procurement process for investment projects[13]. The 2016 Report of the Audit Service Sierra Leone (ASSL) identified irregularities in public procurement and raised concerns over the low value for money being achieved, due mainly to the large share of public contracts awarded on a sole-source basis. With the existing decentralized procurement system whereby accounting officers in MDAs are subject only to ex-post reviews on procurement decisions, there is need for an e-procurement solution that will address the ineffectiveness of ex-post controls and strengthen compliance. Pursuant to the 2016 Public Procurement Act, revised procurement regulations are crucial to pave the way for an e-procurement solution.

62. Policy Reform. The proposed operation supports the approval of new Procurement Regulation pursuant to Public Procurement Act of 2016 to allow for the introduction of an e-procurement solution nationwide (PTSG-III prior action #8). During the first operation (PTSC-I), Cabinet approved the development of an integrated web-based procurement management solution (e-procurement) to increase transparency in procurement processes (PTSC-I prior action #7). The NPPA with support from the WBG developed a road map to implement the e-procurement system. The Government has planned for the testing of the system in 2021 and its roll-out to line ministries by end-December 2022. An e-procurement system allows more efficient integration of supply chains and provide better organization and tracking of transactions and data gathering. Due to faster exchanges of information, e-procurement also promotes transparency, judicious use of public resources, and faster delivery of goods and services. The new procurement regulations will provide a solid basis for assuring value for money in the use of COVID-19 funds.

63. Expected Results. Through the new procurement regulations, the share of public procurement transactions conducted through open competition is expected to increase to 85 percent by end-2021 compared to 45 percent in 2016. The procurement regulation which paves the way for the implementation of an e-procurement system would standardize, streamline, and integrate procurement processes. In addition, the associated processing times and administrative costs are expected to be reduced considerably. The e-procurement system will mandate 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 costs for the goods, works, and services procured by the government. Improved delivery of social services resulting from the introduction of an e-procurement system would be immensely beneficial to women and other vulnerable groups, who are mostly reliant on public services. The 2018 procurement assessment by NPPA reviewed 5,709 procurement activities

[13] PIMA (2020) found that: investment projects are not always tendered through open competitive bidding; public has limited access to procurement information; there is insufficient database and scrappy information; and an Independent Procurement Review Panel (IPRP) exist but has heard only few complaints.

performed by 136 entities for a total value of Le725.74 billion and determined that in terms of value, 94 percent of all procurement activities were carried out through open competitive bidding methods. This already exceeds the target under the program (85 percent). On the other hand, 89 percent (5,062) of the activities were planned with a value of Le572.59 billion, indicating an improvement in planning of procurement activities.

Policy Area: Anti-Corruption

PTSG-III Prior Action #9: *To enable implementation of the Anti-Corruption Commission (Asset Declaration) Regulations, 2019, the Recipient has enacted an amendment to the Anti-Corruption Act, 2008 to, as evidenced by Gazette supplement volume CXLX, no. 88 dated December 22, 2019.*

64. Context and Problem. Corruption is perceived to be widely prevalent in Sierra Leone. The 2019 Global Corruption Barometer (GCB) showed that 43 percent of the population think that corruption has increased in the past 12 months (55 percent for sub-Saharan Africa) while 66 percent think that the Government is doing well in fighting corruption (surpassing Ghana (58 percent) and Liberia (35 percent)). The country also received a passing grade on the Millennium Challenge Corporate (MCC) scorecard for corruption prevention for the second year in a row with a 78 percent score in 2019. However, the majority of Sierra Leoneans (52 percent) still reported that they paid a bribe in the last 12 months (GCB, 2019). The country's ranking on the Transparency International Corruption Perceptions Index (CPI) improved slightly to 129th in 2018 from with 130th, out of 180 countries in the previous year.

65. The Government has in recent years embarked on a series of reforms to step up the fight against corruption through preventions and sanctions. The 2008 Anti-Corruption Act provided the legal basis for an Asset Disclosure (AD) System, a cornerstone of corruption prevention. The Act requires civil and public servant(s) to submit a sworn declaration form containing income, assets, and liabilities annually, as well as within three months upon assuming office and when leaving office. The Act required all civil and public servants, an estimated 80,000 staff in 2019, to declare their assets regardless of their level of exposure and their involvement in the management of public fund. This has made it difficult to enforce compliance, undermining the integrity of the corruption prevention regime and the intent of the law. Consequently, with limited capacity of the ACC's AD unit, the compliance rate has been extremely low (less than 40 percent), including for the senior management and high-level public officials. Further, the sanctioning regime for noncompliance is inadequate and rarely enforced.

Box 2: Findings of the Legal Review of the ACC Amendment Act 2019

The Sierra Leone Anti-Corruption (Amendment) Act, 2019 (the Amendment), was triggered by a policy action under PTSG-III, aimed at increasing transparency in selected government decision-making processes. If effectively implemented, the Amendment should improve the legally enforceable integrity safeguards and regulatory effectiveness in administration, implementation, and enforcement of the Asset Disclosure (AD) system in the country. Given that the Amendment included some criminal provisions, a legal assessment to assess its strengths and weaknesses, as well as its consistency with the existing country's legal framework, is now complete. Implementation of the amended provisions is yet to commence.

Overall, the assessment finds that the Amendment is progressive in strengthening the foundational legal framework to the country's AD system as follows: -

1. Designation and Scope of Officials Subject to AD Obligations: The Amendments reduce the scope and definition of officials who are subject to AD obligations to a higher level of officials where corruption risks are potentially higher. Also, this reduction in the number of officials filing AD makes it more feasible for the ACC to implement more effective compliance and enforcement systems based on available capacity and resources. This Amendment can result in a more credible AD system based on improved integrity and more equitable enforcement.

2. AD at Onboarding and Exit: The Amendment retains the requirement for designated public officials to file AD forms 'upon taking up public office' and 'after leaving public office.' The obligation for incoming officials to file AD forms upon taking positions as public officials – if effectively implemented – can be advantageous because this provides a baseline of assets/liabilities of an official, theoretically before they have faced opportunities that give rise to corruption risks. The obligation to file AD at Exit provides insight on potential exposure to corruption opportunities while in public service, especially where assets at the Exit from employment do not match the known income during service.

3. Administrative Sanctions: This is one of the crucial provisions of the Amendment. The introduction of Administrative Sanction provisions provides a basis for the ACC to enforce administrative penalties for non-compliance directly and strengthens its mandate in the management of the AD system. Previously, only criminal sanctions were in place. Prosecution meant that the ACC had to implement a penalty for the AD filing obligation failure through a court process that requires a higher standard of proof and a tedious task considering that all public officials were obligated to file.

4. Risks identified: Nonetheless, the Amendment has potential implementation weaknesses. These include- inadequate staffing and resources at the ACC, an increase of the declaration timeframe from annual to every two years, which reduces monitoring controls, and the lack of clarity on redress mechanisms for sanctions imposed by the ACC. The redress mechanisms remain unclear, the risk of abuse of the administrative penalties exists.

5. The **mitigation strategy** for these potential weaknesses is through updating of regulations and operational manuals, human and functional capacity building for the ACC. A formal procedure for Administrative Sanctions needs to be regulated. Additionally, the Constitution of Sierra Leone provides for a judicial review remedy for administrative actions.

6. The review concludes that the Amendment and the country's AD program risk is medium-low in terms of overall quality. The suggested mitigation measures and continuous monitoring for early identification of any emerging risks for timely intervention should bring the risks to a minimum low. The potential of abuse and political interference or abuse of the law to target political rivals at this stage is also medium-low. Still, politics remains a challenge to rule out.

66. Policy Reform. The proposed operation supports the amendment of the 2008 Anti-Corruption Act (PTSG-III prior action #9) to create the Anti-Corruption (Amendment) Act (2019), which reduces the categories of public officers required to declare their assets to using a risk-based approach: persons in elective offices, persons appointed by the President, public officers in grade 7 and above, and public officers below grade 7[14]. Furthermore, the Amended Act empowers the Commissioner of the Anti-corruption Commission (ACC) to specify categories of Public Officers outside of the foregoing list who are to be required to declare their assets for various

[14] Public officers below grade 7 could be required to declare their assets if –(i) handle or control public cash or goods, (ii) make official decisions or recommendations relating to the granting or denial of licenses in regulatory sectors, (iii) conduct research or prepare analytic reports for higher level officials who make critical decisions on financial, economic or regulatory policies, (iv) are in regulatory agencies responsible for regulatory compliance, monitoring and inspection.

reasons within the discretion of the ACC. Under the previous operations (PTSG-II) parliament approved the Asset Disclosure Regulations in January 2019 to reform the existing asset disclosure system to redefine the scope of covered officials and strengthen compliance with Asset Disclosure filing obligations. However, the ACC encountered significant difficulties in implementing the regulations due to inconsistencies between the Regulation and the ACC Act of 2008. The ACC Amendment Act 2019 has realigned the law and regulations but reduced the obligation for officials to file AD forms from annually to every 2 years. Under the PTSC-I, the ACC issued a public notice requesting all defaulting public officials to comply with the ACC law before October 31, 2016 (PTSC-I Prior action #8), which led to a one-time increase in compliance rates to just over 60 percent, however, there was still no effective mechanism to enforce compliance. With the new legislation, the ACC will publish a detailed report on corruption in 2020, includes the status of compliance with the new Asset Disclosure Regulation.

67. Expected Results. The program aims to increase the share of public official required by law to declare their assets from 20 percent in 2016 to 90 percent by 2021. The new asset disclosure regime (law and regulation) has significantly reduced the number of public servants required to declare assets– using a risk-based approach. Under the amended Act, officials required to file AD forms are limited to political appointees and their relatives and individuals with fiduciary or oversight responsibilities in the public sector. The ACC has also developed a web-based asset disclosure system that allows public officials to file 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. Sanctions include withholding of salaries, suspension from public service after 3 months and removal from public service after 6 months.[15] The Amended Act 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 anti-corruption regime is expected to serve as a strong deterrent to the misuse of public funds especially during the COVID-19 response.

Table 7: Changes to the DPF Triggers and Prior Actions

Actions Removed	Actions Added	Rationale
Pillar 1: Increasing productivity in selected economic sectors		
Agriculture **(Indicative) Trigger # 3:** The Recipient has taken a decision in Cabinet to eliminate the waiver on rice import duty and apply ECOWAS Common External Tariff (CET) on rice.	**Prior action # 2** The Recipient has through its Cabinet approved and adopted the Rice Sector Development Policy and Implementation Strategy and Roadmap to boost local production of rice.	The macroeconomic situation remains challenging underpinned by high inflation and rapid exchange rate depreciation. Hence, the Government is concerned that imposing a tariff on a food staple immediately following the liberalization of fuel prices, could considerably increase the risk of considerable for social unrest. With the existing constraints to agricultural productivity, the main priority of Government is to boost local rice production to attain self-sufficiency.
Pillar 2: **Improving transparency and accountability in selected government decision making processes**		

[15] 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.

PFM **(Indicative) Trigger # 8:** The Recipient has rolled out the integrated web-based procurement management solution in five MDAs on a pilot basis.	**Prior action # 8** The Recipient has (a) through the National Public Procurement Authority prepared and presented to Parliament the Procurement Regulations and the Regulations have matured into law enabling the implementation of a nationwide e-procurement system.	The original target of a rollout of e-procurement to 5 MDAs by end of the third series cannot be maintained due to unforeseen implementation hurdles. The new action focuses on creating the enabling legal framework for the rollout of the e-procurement
(Indicative) Trigger #9: The Recipient has, through its Cabinet (a) approved and adopted the Sierra Leone Minerals Policy and (b) approved a revised Mines and Minerals Bill and (c) submitted [through the Minister of Mines and Mineral Resources] the revised Bill to Parliament for approval	Prior action deferred to next series of DPL operations.	The Government has already approved and adopted a best-practice Minerals Policy. However, the outbreak of the COVID-19 crisis has prevented the Government from completing the necessary consultations on an extremely politically sensitive Bill. Meanwhile, Government has committed to complete the action as soon as the COVID-19 crisis is over (See Letter of Development Policy at Annex2).
(Indicative) Trigger # 10: The Recipient has published in an official government website, an audit report of the procurement transactions in 2016.	The Recipient has enacted an amendment of the Anti-Corruption Act, 2008 to enable implementation of the Anti-Corruption Commission (Asset Declaration) Regulations, 2019.	This action was replaced by a stronger action to strengthen the pillar of the DPF.

4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

68. The proposed DPF operation has been designed to help unlock constraints identified in the SCD (2018) and as such is consistent with the new Country Partnership Framework (CPF) for Sierra Leone (FY21-FY26). 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 ensure accountability and improve public service delivery. Other World Bank operations in agriculture (Sierra Leone Smallholder Commercialization and Agribusiness Development Project Additional Financing (P170604), fisheries (West Africa Region Fisheries Program AF Guinea, Sierra Leone & Liberia (P126773)), education (Sierra Leone - Revitalizing Education Development in Sierra Leone (P133070)) , energy and extractive sector (Sierra Leone Energy Sector Utility Reform Project (P120304) and Extractives Industries Technical Assistance Project Phase-II (P160719)) and governance (Public Financial Management Improvement and Consolidation Project (P133424) are linked to the proposed series and provide complementary Technical Assistance. The new CPF covering FY2021-FY2026 is has been presented to the Board for consideration.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

69. Government has a mandatory two-tier consultation protocol for developing all policies and legislations. First, district/subnational consultations are held in the West, North, North-West, South an East provinces of the country. This is then followed by national consultations through validation workshops or conferences in the capital, Freetown. The reports of the district/subnational and national consultations are used to finalize the draft policy or legislation. The range of stakeholders usually consulted include civil society organizations (CSOs), nongovernmental organizations, private sector representatives and market/sector-based organizations, community leaders, women and youth groups, development partners and government ministries, departments

and agencies (MDAs). In most cases, Cabinet considers both the report of the consultations and the final draft policy or legislation side by side before the policy or legislation is approved. The policies and legislations supported under this program-- Seeds, Fertilizer, Fisheries, and Procurement Regulations as well as the Land and Rice Policy-- benefited from extensive consultations at the two-tier level of consultations. They were widely consulted at the district/subnational level before they were validated at the national level. The design of reforms, including in the transition from triggers to prior actions have benefited from the feedback from the various consultations in the process of the policy dialogue with the Government and non-state actors.

70. The Development Partnership Committee (DePC) is a main platform for consultations between government and development partners. DePC comprises the heads agencies of various international organizations and diplomatic missions. It meets periodically with top Government officials and is usually chaired by the Head of State. DePAC discusses pertinent issues relating to the implementation of the country's MTNDP-I, donor support and projects, governance and economic management. DePAC has technical working groups in the eight (8) pillars of the MTNDP-I including budget support and PFM to support its consultations with Government. The World Bank collaborates closely with the IMF, the DePAC partners comprising the UN Resident Coordinator's Office, African Development Bank (AfDB), Department for International Development of United Kingdom Government (DFID), and the European Union as well as IFAD, FAO, and USAID. This extends to close discussion and collaboration, including through joint missions, on macro-fiscal and financial sector issues and structural reforms and close collaboration on budget support during program design and implementation. In preparing the operation, the team consulted CSOs, MDAs, private sector representatives and development partners. The feedback from the consultations influenced the design of the operation, allowing for modification of the prior actions (Table 7).

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

71. Overall, the poverty and social impacts of the policy reforms supported under the proposed DPF series (PTSG-III) 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 increasing opportunities for women and other vulnerable groups, thereby contributing positively to poverty reduction in Sierra Leone. Agriculture and fisheries employ about 60 percent of the country's workers, with women comprising more than half. Also, close to 95 percent of rural households indicated that agriculture is their main source of income and nearly 70 percent of the poor households have agriculture as their primary source of livelihood. The 2018 SLIHS reported that women accounted for 52.2 percent of those who cultivated land including rice during the past twelve months and 56 percent of those self-employed in agriculture. In this context, the proposed reforms are expected to have a significant positive poverty reduction impact. The reforms in the seed and fertilizer markets are expected to: (i) increase access to improved inputs (seeds and fertilizers) especially for women who make up the majority of smallholder farmers and create conditions for increased yields over the medium term; and (ii) promote private sector participation in the provision of these inputs to boost economic opportunities for all smallholder farmers, including women, as well as create jobs, which are expected to have substantial 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 especially to children and women including lactating mothers.

72. The land reform is expected to have positive social and economic impacts given its emphasis on protecting land rights and increasing access to land especially for the poor, women 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. The Customary Land rights Bill and Land Commission bill are expected to significantly boost women's access to land by providing a level playing field and increased transparency in land tenure governance. The land reform would promote food security and inclusive economic growth, reduce poverty, foster gender and youth empowerment, and ensure responsible tenure of land, fisheries and access to water. 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 activities, which is expected to have a positive impact on poverty. The new landing obligation of industrial fishing fleet in the 2019 Fisheries and Aquaculture Regulations (PTSG-III prior action #5) would significantly improve fish landings and contribute to local food security and improved nutrition for women and children. The expected increase in domestic fish supply through increased artisanal landing will provide more economic opportunities for women through fish processing and marketing.

73. 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. Reliable and affordable supply of electricity would also be immensely beneficial to women by increasing opportunities to engage in a range of small-scale business especially perishable commodities that require preservation. 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. The education reform is much more impactful for girls who perform poorly on SLGA tests. Boosting learning outcome for girls would increase their chances of entering into the labor force and enhancing their livelihoods.

74. 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 goods 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 (health and education), enhancing benefit for the women, children and other vulnerable groups. The focus on transparency through asset disclosure will likely help curb corruption and improve public service delivery, including to women and vulnerable households.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

Risks and Vulnerabilities

75. The impact of climate change could increase the share of Sierra Leoneans living below the poverty line up to 2 percent by 2030[16]. The country is dependent on environmentally sensitive sectors such as agriculture and fisheries which exacerbate its vulnerability to climate change; and threatens food security and the livelihoods

[16] World Bank (2016) "Shockwaves: Managing the impacts of climate change on poverty." Climate Change and Development Series. Washington, DC

of most of the population[17]. An increase in the frequency and severity of extreme weather events would inflict a heavy toll in human lives and welfare while damaging the country's scarce and valuable capital, and the poorest households and communities will be hit hardest, as income and health shocks will drive them deeper into poverty. The key climate stressors are increasing average temperatures and unpredictable and extreme precipitation events. Natural hazards also present severe risks. Landslides threaten human lives and can have a cross-cutting impact on multiple sectors. A major landslide that occurred in 2017 resulted in close to US$32 million in damages and loses in: electricity, transportation, housing, education, WASH and other key sectors[18]. Storms and Squall Lines are a recurring natural hazard that bring thunderstorms and high winds in the pre-monsoon season (April to June). These storms often disrupt national infrastructure, damage people's homes, destroy agricultural crops, and cause coastal erosion. Deforestation is also a major concern and has been growing at 2.5 percent annually translating into an estimated loss of 40,000 hectares of forest per year[19]. National climate change strategies and commitments prioritize improved land-use planning, adaptation, mitigation, and enhanced disaster-risk management. These commitments also highlight the importance of adopting climate-smart agriculture measures and technologies[20,21].

Climate Change

76. The agriculture and energy sectors are highly vulnerable to climate change impacts. In agriculture, the operation supports reforms aimed at enhancing productivity and climate resilience through new seed and fertilizer regulations and supports reforms that target two of the primary food sources in Sierra Leone, rice and fish, which are particularly vulnerable to climate change impacts. The policies and reforms of this operation align with the Economic Community of West African States (ECOWAS) regional strategy which aims to harmonize the rules governing the management of seeds and fertilizer in the region, under a framework of environmental sustainability. The prior actions in this operation align and contribute to Sierra Leone's Intended Nationally Determined Contribution (INDC) which prioritizes mitigation and adaptation measures in the agriculture and energy sectors, as well as disaster risk management. (See Annex 4.1 for a detailed climate change assessment)

77. The Rice Sector Development Policy and Implementation Strategy and a Roadmap encourages the mechanizing of commercial rice production including the development of appropriate climate-smart technologies. The policy is expected to promote domestic production (from to 1.1MT per ha to 1.8 MT per ha in 2021) and reduce import dependence. Rice production yield is however sensitive to high temperatures and humidity, as well as to pests that thrive in these environments. Rice plants require an optimum temperature at different growth stages. An increase of 0.6°C, in the 2020s, would put 5 out of the 9 growth stages at risk. To date, higher levels of agricultural technology have not been affordable in Sierra Leone due to low economic returns from core commodities. This policy will encourage the entry of new climate-smart technologies into the sector to facilitate climate change adaptation, secure high production yields, and ensure long-term food security in the country.

[17] World Bank's Climate Change Knowledge Portal
[18] World Bank (2017) Sierra Leone Rapid Damage and Loss Assessment of August 14, 2017: Landslides and Floods in the Western Area
[19] Government of Sierra Leone (2005) Third National Communication of Sierra Leone to the United Nations Framework Convention on Climate Change
[20] Government of Sierra Leone (2015) Intended Nationally Determined Contribution
[21] Government of Sierra Leone (2010) National Sustainable Agriculture Development Plan (2010-2030)

78. The establishment of the National Fertilizer Regulatory Agency (NaFRA) Regulations and its complementary governing Board would contribute to the reduction of non-CO2 GHG emissions in agricultural production through greater availability of environmentally sustainable alternatives. Current land and land-use patterns present three constraints to achieving productivity in the sector: (i) declining soil fertility (due to pressure on land, especially upland soils), (ii) reduction of soil in fallow periods, and (iii) low levels of fertilizer use among small holders. The policies supported in this operation will allow the introduction of a scheme to certify private sector players in the fertilizer market to ensure the supply of high quality and environmentally friendly fertilizer; and the establishment of fertilizer testing facilities across the country for quality control of fertilizers. This reform closely aligns to Sierra Leone's Third National Communication to the UNFCCC which identified the low utilization of organic fertilizer in agricultural production; and highlighted the need to regulate and standardize fertilizer markets to increase the availability of high-quality organic options to increase uptake.

79. Sierra Leone has a high rate of deforestation, at up to 40,000 acres of forest per year. In addition to these man-made environmental disasters, natural events such as heat waves, flooding, landslides, and windstorms threaten natural ecosystems. Through this operation, the World Bank supports the Land Commission Bill and a Customary Land Rights Bill and consultations in East, South, North and North West regions. These reforms build on the National Land Policy and regulations that prioritize sustainable land use practices and planning. Specifically, the new Bills will enforce the sustainable use of natural resources such as forests, grazing lands, rivers and swamps. In coastal areas, it requires communities to develop and implement co-management plans to protect foreshores from unsustainable exploitation and degradation. These reforms support sustainable forest management activities that contribute to increase carbon stocks and reduce the negative impact of unsustainable forest management and coastal activities.

80. The productivity of the fisheries sector is highly vulnerable to climate change impacts due to reduced water quality and increasing temperatures. Rising temperatures alter nutrient dynamics and water quality in inland fish farms and the Atlantic Ocean; and make fish stocks migrate toward colder waters away from equatorial latitudes, contributing to a reduction in fish sizes. Competition over fishery resources from industrial vessels and illegal, unreported and unregulated fishing practices, including at the level of artisanal fishing, threaten the sustainability of the fish stock. The high climate vulnerability of the sector coupled with weak governance presents a serious threat to the future of the sector. The Fisheries and Aquaculture Act, 2018 and its Regulations (2019) as well as the National Plan of Action (2020) supported by this operation, aim to prevent, deter and eliminate Illegal, unreported and unregulated fishing and support the sustainable management of fisheries resources through non-destructive fishing techniques to maintain resilience of marine ecosystems thereby aligning with national climate change commitments in the fisheries sector. This operation builds on previous operations that encouraged the "closed season" in the country whereby the sector stops fishing to allow the fish stock to regenerate. This reform introduces the "closed area" which establishes the boundaries of the inshore inclusion zone.

81. Sierra Leone has one of the lowest electricity access rates in the World, about 16 percent, with 90 percent of the 192,000 customers located in the urban parts of Freetown. As a result, many businesses and households run high-cost private diesel generators, that in the long-run are unsustainable. The energy sector is exposed to multiple impacts of climate variability, which can affect both supply and demand. Rising temperatures will increase demand for cooling (i.e., air conditioning and refrigeration), and the impact of heat on electricity demand can be estimated by the number of days above 18°C, which broadly represents a comfortable living environment. Average daily temperatures in Sierra Leone are already above this threshold, and monthly

temperature changes indicate likely periods of increased electricity demand. This reforms under this operation addresses the management and governance challenges of the Electricity Distribution and Supply Authority (EDSA) through the adoption of a new organizational structure. It continues the implementation EDSA's strategic plan which was supported under previous operations and which aims to improve the technical efficiency and the financial situation in the sector. It also prioritizes the introduction of renewable energy sources into the energy mix. Part of the strategic plan include new investments in solar energy (2 megawatts from the AbuDabi Fund); and future investments through IFC and the World Bank to increase this to 30 megawatts over the next 3 years. This reform aligns with Sierra Leone's Intended Nationally Determined Contribution (INDC) which presents adaptation and mitigation measures in the energy sector as key actions to address the impacts of climate change.

82. Overall, the proposed operation is expected to have a positive impact on the environment. Other reforms, in the education sector and under the transparency pillar, are expected to have a neutral effect on the environment.

83. Sierra Leone has a robust environmental management system in place to prevent harmful environmental practices and address climate change risks. The Environmental Protection Act, 2008 created the Environmental Protection Agency (EPA) as the primary national statutory institution responsible for the effective protection and management of the environment and its natural resources. As provided for in Section 62 of the EPA Act (2008), the agency has issued sector-specific regulations for agriculture, manufacturing, mining and telecommunications sectors to ensure that all development projects in these sectors integrate sound environmental practices during their operations to benefit host communities. The Agency has developed legislation on chemical management, toxic and hazardous substances as well as regulations on effluent standards to regulate the use of pesticides, toxic and hazardous substances and safeguard and protect the environment and human health. The Agency also imposes severe sanctions for noncompliance with the EPA standards. Standard operating Procedures (SOPs) on expired food stuff, chemicals, clinical wastes and hazardous materials for disposal have also been developed. The EPA continues to deploy an Environmental Cadastral Administrative System (ECAS). This has provided an automated controlled system for EPA as required by the provisions in its laws and regulations. Government established a dedicated Ministry of Environment in 2019 to develop and enforce environmental policies, regulation and standards and monitor climate change risks. The Ministry will coordinate the implementation environmental norms to ensure sustainability including climate change mitigation and adaption measures. 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 fragile and climate sensitive natural ecosystems. The Government continues 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. Reforms in agriculture and fisheries are expected to have mostly positive effects on the environment.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

84. Sierra Leone has seen progressive improvements in its PFM systems in recent years. These include: (a) improvements in the quality of budget documents; (b) enhanced comprehensiveness of and transparency in budget documentation, and publication of the budget document; (c) improved collection and monitoring of tax payments; (d) improvements in cash management and a rollout of the TSA; (e) improvements in account reconciliations, and timeliness and quality of financial reporting; and (f) significant improvements in external

audit oversight and audit quality. The PFM Act (2016) and Regulations (2018) provide rules to guide fiscal policy formulation and identification of government's fiscal policy objectives over the medium term. Still, the PEFA (2017) identified weaknesses in fiscal discipline, strategic allocation of resources (alignment with the AfP) and the efficient delivery of services. Key challenges include weak commitment and payroll control, incomplete and inadequate procurement management systems, lack of capacity to develop and implement internal audit plans and arbitrary public investment project selection. Low efficiency of public investment in a number of dimensions including poor project selection and delays in the design and completion of projects, sometimes impacted by corrupt procurement practices, results in cost over-runs and failure to operate and maintain assets effectively. A risk-based audit approach could enable all MDAs to become proactive rather than being purely reactive, preventing the undesired effects and promoting the continual improvements.

85. With the establishment of a Procurement Regulatory Authority, procurement regulations and procurement units in MDAs, important parts of the institutional framework for assuring value for money in procurement are established. Nevertheless, there is scope to strengthen not only the capacity of the regulatory authority to monitor performance and compliance, but also the capacity of the procurement staff assigned to MDAs at the central and sub-national levels of government. The complaints mechanisms and appeals processes could also be strengthened.

86. Foreign Exchange Environment: The IMF conducted Safeguards Assessments of the BSL in 2002, 2006, 2010, 2014 and as recently as July 2017[22]. The safeguards framework of the BSL has been strengthened since 2010, especially its legal and accountability framework. The external audit of BSL's 2018 financial statement was completed and the report made public. In its latest assessment, the IMF recommended a forensic audit of the foreign exchange transactions (by an international firm with significant proven experience in conducting forensic investigations) between the BSL and quasi-independent government agencies (MDAs) during July 2015 -June 2018. The forensic audit was completed in early 2019. The report made recommendations aimed at reducing vulnerability to corruption, safeguarding the use of resources, improve reconciliation procedures and improve the BSL's FX procedures. A remedial action plan is being developed based on the findings of the forensic audit[23]. The IDA task team assessed the risks raised in the report by this independent firm with the objective of assuring value for money with integrity for the DPF funds. Owing to the risks noted, IDA shall retain the right to have the dedicated account audited based on terms satisfactory to IDA. The focus of the audit would be to ensure the funds were properly transferred into and out of the dedicated account to the Consolidated Fund using appropriate exchange rates. The audit report will need to be submitted to IDA six months after the fiscal year end.

Disbursement and auditing issues

87. Recipient and Financing Agreement: The proposed operation is a single-tranche IDA Grant of SDR 73.2 million (US$100 million equivalent). The Grant disbursement will follow the standard World Bank procedures for DPF. The administration of this Grant will be the responsibility of the MoF.

88. Funds flow arrangements: The GoSL shall identify a dedicated foreign exchange account which will form part of the country's Foreign Exchange Reserves in the Bank of Sierra Leone (the "Dedicated Account") into which

[22] IMF Sierra Leone Country Report No. 17/154

[23] The Audit did not delve into assessing asset quality, lack of profitability, loss of capital, excessive leverage (eg in excess of the leverage ratio), excessive risk exposure (eg. in terms of concentration of risk), reputation problems and liquidity concerns.

all withdrawals from the Financing Account shall be deposited upon effectiveness, subject to meeting the agreed prior actions and the adequacy of the macroeconomic framework. The GoSL shall transfer into the Consolidated Fund an equivalent amount in Leones within five (5) days after the deposit of the amount of the Financing into the Dedicated Account. The Financing amount is accounted for in the GoSL's budget management system, in a manner acceptable to the World Bank.

89. **Disbursements** of the Grant from the Consolidated Fund by the GoSL shall not be tied to any specific purchases and no special procurement requirement shall be needed by the World Bank. The proceeds of the Grant shall, however, not be applied to finance expenditures on the negative list as defined in Section 2.04 and the Appendix of the General Conditions for IDA Financing: DPF (2018). If any portion of the grant is used to finance ineligible expenditures as defined in the General Conditions for IDA Financing: DPF (2018), IDA shall require the Government to promptly, upon notice from IDA, refund an amount equal to the amount of the said payment to IDA. Amounts refunded to IDA upon such request shall be cancelled from the Grant.

90. **Assurance Requirements:** Within 30 days of the disbursement of the grant by IDA, the Financial Secretary of the MoF of Sierra Leone shall provide written confirmation to IDA, certifying the receipt of the 'Leones' equivalent of the Grant into the Consolidated Fund Account of the GoSL, the number of the account, the date of the receipt, and the exchange rate applied to translate the Grant currency into Leones. The GoSL shall also present to IDA the statement of receipts and disbursement of the Foreign Currency Dedicated Account. Owing to high fiduciary risks noted around foreign exchange control environment, the World Bank shall retain the right to demand an audit of the receiving foreign exchange account into which the DPF resources will flow and consequent local account into which the DPF resources will be transferred to ensure that correct exchange rates are used. This right to an audit will be captured into the Financing Agreement of the DPF. Upon IDA's request, the GoSL shall have the Dedicated Accounts audited by independent auditors acceptable to IDA, in accordance with consistently applied auditing standards that are also acceptable to the IDA. GoSL shall provide a certified copy of the report of such audit to IDA as soon as available, but in any case, not later than six (6) months after the end of the GoSL's fiscal year. GoSL shall make such audit report publicly available in a timely fashion and in a manner acceptable to IDA. The GoSL would provide to IDA such other information concerning the Dedicated Accounts and their audit as the IDA shall reasonably request. The GoSL shall equally ensure that the annual entity financial statements of the BSL, audited in accordance with international standards on auditing, as promulgated by the International Federation of Accountants, are publicly available.

91. The expected closing date of the operation is December 31, 2020.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

92. **The GoSL, through the Ministries in charge of finance, agriculture, land, fisheries, energy, and education will be responsible for the overall implementation of this program**. The MoF is responsible for the coordination of the program. The MoF has the requisite experience including technical skills and coordination experience for this task, some elements of which will be undertaken in conjunction with the BSL. Given the large number of line ministries participating in the implementation of the program, a committee in charge of the monitoring of the program has been created with focal points in each line ministries, as well as in the NPPA, TSC and in the ACC. Additionally, there is a small, well-coordinated group of development partners also providing close support to the Government. The Results Framework in Annex 1 provides the list of results indicators, which will be used to monitor the progress under the program. Table 1 provides a summary of results achieved since the first operation. The monitoring of the series will be closely linked to the AfP and the MTNDP-I, since their results

matrices are explicitly linked. In addition, an in-country World Bank team will continuously monitor progress on the results indicators.

93. Grievance Redress. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

6. SUMMARY OF RISKS AND MITIGATION

94. The overall risk rating for the operation is 'high'. The risk assessment is underpinned by high risk ratings in four main risks—macroeconomic, institutional capacity for implementation and sustainability, and fiduciary and epidemiological —and substantial risk ratings in political and governance risks and epidemiological risks.

Epidemiological Risk

95. Epidemiological risks are high. The uncertain depth and duration of the COVID-19 shock represents the single most significant risk that could undermine the attainment of the program's objectives. COVID-19 is an all-encompassing generalized risk that could adversely affect all risk categories and possibly lead to a slowdown in the implementation of reforms as resources and priorities shift to preventing or curtailing the spread of the virus. As discussed in detail in section 2.2 (Box 1), the COVID-19 shock is having a large negative impact on the Sierra Leonean economy. Consequently, GDP growth has been significantly downgraded, and there has been a significant widening of the fiscal and external financing gaps. Nonetheless, with the fluidity of developments, the extent to which COVID-19 will impact this operation remains fully unknown. COVID-19 shock has potentially negative impacts on the achievement of the objectives of each of the pillars of this operation. The sustainability of improvements in productivity in key sectors such agriculture, education, energy could be impeded by mobility restrictions, social distancing requirements at the workplace, and supply chain disruptions that can affect provision of inputs. Similarly, the COVID-19 pandemic could make it difficult for the government to continue to focus on fostering transparency and accountability in public procurement and the public sector in general.

96. The risks are in part mitigated by the COVID-19 Emergency Response Project (P173803) and the Government's proactive stance in taking measures to address the outbreak before it happened as well as the existence of an alert and surveillance system and the country's experience in dealing with the Ebola virus crisis. The proposed budget support operation would also help to mitigate the some of the risks through the provision of resources to respond to the health needs. The residual epidemiological risk is high given the uncertainty regarding the spread and duration and its potential for substantial cross-cutting impacts on the health sector and on the economy, thereby adversely affecting the achievement of the development objectives of this operation.

Political and Governance Risks

Political and governance risks are substantial. Political risk is considered substantial given the fragile political

context and the initial post-election violence following the March 2018 general elections. However, calm has since returned to the country following the intervention of ECOWAS, which paved the way for the main opposition APC to accept the results of the election. This ushered in a second democratic change of the party in power since the end of the civil war in 2002. This consolidation of democratic practices should help engender political stability in the future. However, , there have been deep political disagreements over policies with the main opposition APC which could potentially affect the development objectives supported by the operation. The declaration of public health emergency on March 24, 2020 in response to COVID-19 pandemic could pose fiduciary and accountability risk and that needs to be managed. In particular, as the experience with the Ebola epidemic shows accountability processes could be bypassed resulting in the misuse of funds.

97. Despite the program's alignment with the country's national development plan (MTNDP-I), there is a risk of uneven commitment to reforms. The phasing out of the Government involvement in seed and fertilizer distribution could be delayed by resistance to change by groups with vested interest. Program implementation is particularly challenged in cases which require adoption of policies, laws, regulations due to country's poor track record of implementation effectiveness. Overall, increased transparency will require significant shifts in the incentive structure of public servants raising strong opposition to change. Spending pressures following the March 2018 elections led to a deterioration in the country's fiscal position, while governance slippages and slow implementation of PFM reforms, including on procurement, triggered a sharp decline in donor support. Additional fiscal slippages could increase extra-budgetary expenditure and reduce transparency and accountability. These risks are mitigated by: (i) the authorities' manifest commitment to fiscal discipline and consolidation; (ii) new Procurement Regulations, 2020 and the ACC Amendment Act, 2019 supported by this program (iii) constant supervision and oversight by the World Bank at every step in the implementation process; (iv) the program's alignment with MTNDP-I priorities that benefit from wide popular support; and (v) active dialogue with civil society and the private sector to ensure demand side governance pressure for reforms.

Macroeconomic Risk

98. Macroeconomic risks are high. The high risks of domestic and external imbalances are now further compounded by the risks of a global recession precipitated by the COVID-19 pandemic. The consequent macroeconomic effects could undermine the achievement of the development objective of the operation. The four key macroeconomic risks relate to: the large stock of domestic payment arrears and the possibility of fiscal slippages; lower prices and demand for Sierra Leone's exports (due to the coronavirus pandemic and trade tensions); lower than anticipated FDI inflows; and financial sector weaknesses. A recent stock-taking exercise revealed that the stock of domestic payment arrears was Le 3.3 trillion (8.7 percent of GDP), which weighs heavily on public finances and could impede fiscal consolidation efforts. Spending pressures could increase due to the high levels of arrears and wage bill as well as the Government's flagship free education program. The consequent widening of fiscal deficits could raise debt and worsen macroeconomic imbalances and hinder achievement of the program development objectives. This risk is to some extent mitigated by the Government's commitment to fiscal discipline as demonstrated by the implementation of wide-ranging fiscal measures to date as well as the IMF's ECF program. Under the IMF ECF program, the Government has prepared a comprehensive arrears clearance strategy based on sound principles of debt transparency. In addition, the fuel price liberalization implemented under the previous operation will continue to help offset spending pressures.

99. Weaker demand and prices for the country's exports due to the COVID-19 pandemic and trade tensions could worsen the terms of trade and limit exports, negatively affecting growth. Quarantines and travel restrictions to limit the spread of coronavirus could cause severe disruption in global trade and economic activity

and hurt economies like Sierra Leone both through lower commodity prices and lower demand for its exports, particularly iron ore. Even more worrisome, the spread of the virus within the country could lead to a collapse of the economy and shift priorities away from reform to addressing health concerns and protecting the people. A partial mitigating factor is the COVID-19 Emergency Response Project (P173803) and country's experience in dealing with the Ebola crisis but the country also needs enhanced international support, including through IFIs, to help the government mount an effective response to the disease. The financing provided by this program would help the Government close it fiscal and balance of payments gaps. Development partners' support to improve the Government's economic management capacity under various projects could also help to mitigate these risks.

100. Lower than anticipated FDI inflows especially in the light of disagreements between Government and mining companies could create uncertainty and limit investments in the sector, causing a drawdown of reserves and putting further pressure on the exchange rate and inflation. Reforms to improve transparency in the mining sector through the new Mines and Minerals Policy and law under this program could help improve the flow of investment into the sector over the medium-term. Finally, the domestic financial system faces significant challenges because of the weak financial positions of the two state-owned banks that together account for 28 percent of the assets in the system – although efforts are underway to restructure these banks. This risk is now compounded by the impact of COVID-19 on the financial sector. The authorities' efforts to strengthen the financial sector, including under the ECF program of the IMF (approved on November 30, 2018) and World Bank Financial Inclusion Project (P166601) which supports the introduction of a national switch would mitigate this risk. The authorities have revised the Banking and BSL Acts to strengthen oversight of financial institutions and enhance the independence of the Central Bank. Budget support provided under this operation could help to mitigate some of the adverse economic impact of the COVID-19 within Sierra Leone. Nevertheless, the residual macroeconomic risk remains high given that the extent of the spread and duration of the COVID-19 crisis is uncertain and its direct and indirect impacts on the economic could be substantial.

Institutional capacity for implementation and sustainability

101. The institutional capacity for implementation risks are high. Institutional capacity in Sierra Leone remains inadequate in most areas, particularly in ensuring effective (i.e., fair and equitable) implementation of laws and regulations. Ineffective implementation of laws and regulations often opens the door to enabling inappropriate political influence in implementation and enforcement, and this reduces trust of society in rule of law systems. While the capacity requirements in the areas supported by this operation are quite modest, meeting them could be challenging in some sectoral ministries. Furthermore, the COVID-19 pandemic has raised competing priorities arising from the emergency and subsequent recovery phases, increasing risks around limited institutional capacity. The Government's pandemic response could put implementation of reforms under the program at the backburner. The technical assistance support through existing World Bank projects including the COVID-19 Emergency Response Project (P173803) and intensive monitoring will help mitigate this risk.

Fiduciary Risk

102. The fiduciary risks are high. Government has made good progress in the implementation of PFM reforms. However, there are challenges in terms of ensuring value for money, economy, efficiency, effectiveness, integrity,

transparency, and accountability. The 2017 PEFA Report found large composition variances between original budgets and out-turns for revenue and expenditure due partly to frequent "overrides" to the procedures for control of commitments and payments. Large variances in expenditure are mainly the result of politically directed expenditure on unplanned projects and contracts as well as lack of procurement plans and budgets. PIMA (2020) also found significant weaknesses caused by inefficient public investment management as some major projects did not generate intended outputs. A forensic audit of foreign exchange transactions at the BSL and key MDAs found significant weaknesses in the foreign exchange control environment. The fiduciary arrangements under the proposed operation are designed to mitigate these risks. A remedial action plan had been developed under the IMF ECF program to address foreign exchange and other fiduciary risks. In addition, the current PFMICP Project(P162667) is supporting several reforms that will help strengthen the overall PFM system.

Table 8: Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	Substantial
2. Macroeconomic	High
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	Moderate
8. Stakeholders	Low
9. Other	High
Overall	High

ANNEX 1: POLICY AND RESULTS MATRIX

Prior actions and Triggers			Results
Prior Actions for PTSC-I	**Prior Actions for PTSG-II**	**Prior Actions for PTSG-III**	
Pillar 1 - Increasing productivity in selected economic sectors			
Prior action #1 The Recipient has introduced legislation to regulate and promote foundation seed production, multiplication and distribution by the private sector, and, to such end, the Minister of Agriculture has duly submitted the Bill entitled "The Sierra Leone Seed Certification Act of 2017" to Parliament for its approval.	**Prior action #1** The Recipient's Parliament has passed the Seed Certification Agency Act, 2017 which inter alia provides for a sustainable seed delivery system and private sector participation in seeds production and marketing.	**Prior action #1** To enhance private sector participation and access to seeds for farmers, the Recipient has (a) through its Minister of Agriculture and Forestry prepared and presented to Parliament the Seed Certification Agency Regulations and the Regulations have matured into law; and (b) established and operationalized the Seed Certification Agency, all as evidenced by (i) the certificate of maturity of [date] issued by the Clerk of Parliament; (ii) minutes dated July 25, 2019 for a board meeting of the Seed Certification Agency, and (iii) a letter dated April 2, 2020 from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing at the Seed Certification Agency	**Result Indicator 1** Number of Licensed Private Firms in the Seed Sector. Baseline (2015): 0 Target (2021): > 10
		Prior action #2 To boost local production of rice, the Recipient has through its Cabinet approved and adopted the National Rice Policy, 2020 and Implementation Strategy and Roadmap, as evidenced by (i) cabinet minute paper dated February 19, 2020 and confirmation	**Result Indicator 2**: Average yield of rice, measured as production in metric tons (MT) per hectare (ha). Baseline (2015):1.1. Target (2021): 1.8.

		of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (ii) letter dated April 22, 2020 from the Permanent Secretary, MAF forwarding approved copies of the National Rice Policy and the Rice Value Chain Development Strategy with said Cabinet-approved copies attached.	
Prior action #2 The Recipient has taken decision in Cabinet, approving a new fertilizer policy committing the Recipient to progressively reduce direct supply and distribution of fertilizer to farmers, in order to encourage private sector participation in the supply and distribution of fertilizers.	**Prior action #2** The Recipient's Parliament has passed the National Fertilizer Regulatory Agency Act, 2017 which inter alia provides for private sector participation in fertilizer supply.	**Prior action #3** To promote private sector participation in fertilizer supply and enhance farmer access to fertilizer, the Recipient has (a) through the Minister of Agriculture and Forestry prepared and presented to Parliament the National Fertilizer Regulatory Agency (NaFRA) Regulations and the regulations have matured into law, and (b) established and operationalized the NaFRA, including the appointment of its governing Board, all as evidenced by (i) the certificate of maturity of March 31, 2020 issued by the Ag. Clerk of Parliament; (ii) a certificate of passage indicating Parliamentary approval of the nomination of the chairperson for the NaFRA Board, (iii) minutes dated April 28, 2020 for a meeting of the NaFRA board; and (iv) a letter dated April 2, 2020, from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF")	**Result Indicator 3** Number of Licensed Private Firms in the Fertilizer Market Baseline (2015): 0 Target (2021): > 10

		confirming the staffing of NaFRA.	
Prior action #3 The Recipient, acting through its Ministry of Lands, has adopted the Land Policy Implementation Framework and Land Policy Implementation Plan (2016-2026) and submitted the same to Cabinet for endorsement.		**Prior action #4** To improve land administration systems and increase access and security of tenure, especially for women and other vulnerable groups, the Recipient has through its Ministry of Lands, Housing and Country Planning, prepared advanced drafts of the Land Commission Bill and Customary Land Rights Bill (the "Bills") and conducted consultations in the East, South, North and North West regions of the Recipient's territory, fully documenting the input and recommendations of said consultations into a final report fully considered by its Cabinet, as evidenced by (i) the advanced drafts of the Land Commission Bill, 2020 and the Customary Land Rights Bill, 2020 both of date March 16, 2020, (ii) final Report on Regional Consultations dated February 12, 2020 endorsed by the Permanent Secretary, Ministry of Lands, Housing and Country Planning documenting input from consultations, and (iii) a confirmation of Cabinet decision letter dated May 6, 2020 from the Secretary to the Cabinet and Head of the Civil Service confirming that the Report on Regional Consultations was presented to the Cabinet and that the report will inform the	**Result Indicator 4** Share of land plots owned by women (%). Baseline (2015): 20.7. Target (2020): 30.7.

		drafting of the Bills.	
Prior action #4 The Recipient, acting through its Ministry of Fisheries, has published on its public website a list of all industrial vessels with an active license and certified in writing to the Association that all licensed vessels (other than tuna vessels) have a Vessel Monitoring System (VMS) or Automatic Identification System (AIS) and observers on board, in order to increase transparency and reinforce monitoring, control and surveillance of fishing activities.	**Prior action #3** The Recipient's Parliament has passed the Fisheries and Aquaculture Act, 2017 which inter alia provides for the long-term conservation and sustainable management of fisheries resources.	**Prior action #5** To strengthen governance in the fisheries sector, the Recipient has (a) through its Minister of Fisheries and Marine Resources, prepared and presented to Parliament the Fisheries and Aquaculture Regulations and the regulations have matured into law; and (b) through its Cabinet, approved and adopted the National Plan of Action to prevent, deter and eliminate Illegal, unreported and unregulated fishing ("National Plan of Action"), all as evidenced by, (i) the certificate of maturity issued by the Clerk of Parliament; (ii) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (iii) a memorandum dated April 14, 2020 from the Deputy Minister, Ministry of Fisheries and Marine Resources copied to the Country Manager World Bank, Sierra Leone office forwarding a copy of the approved National Plan of Action.	**Result Indicator 5** Number of active industrial fishing license. Baseline (2016): 111. Target (2021): 60.
Prior action #5 The Recipient, acting through its Electricity Distribution and Supply Authority ("EDSA"), has approved a strategic plan to improve the financial situation of EDSA and reduce technical and commercial	**Prior action #4** The Recipient's Board of Electricity Distribution and Supply Authority (EDSA) has issued the Resolution dated August 30, 2018, to adopt the Network Configuration Optimization Plan	**Prior action #6** To strengthen the Electricity Distribution and Supply Authority's (EDSA) governance and technical efficiency, the Recipient has through the board of directors of EDSA (a) approved and adopted a	**Result Indicator 6** Electricity lost as percentage of electricity distributed. Baseline (2015):38% Target (2021): 28%

losses.	(NCOP) to reduce Technical Losses on the transmission and distribution network and implementation of the NCOP has commenced as evidenced by the signed contract dated October 29, 2018 between EDSA and Network Energy Services Corporation. **Prior action #5** The Recipient has pursuant to the Public Financial Management Act, 2016, (a) eliminated the subsidies on petroleum products; and (b) adopted the automatic fuel price indexation formula to determine fuel prices based on international prices and prevailing exchange rate as evidenced by the Supplementary Budget.	new organizational structure; and (b) and appointed staff to fill senior management positions, as evidenced by (i) a Board resolution dated November 25, 2019, and (ii) appointment letter dated January 22, 2020 for a distribution and technical services director, appointment letter dated December 24, 2019 for a quality assurance and compliance manager, appointment letter dated November 18, 2019 for a head of management accounts and financial planning and appointment letters dated September 18, 2019 for a chief financial officer and a commercial services director.	**Result Indicator 7** Share of Government Expenditure on Fuel Subsidy (in % of GDP) Baseline (2017): 2 Target (2021): 0
Prior action #6 The Recipient's Ministry of Basic and Secondary Education (MBSE) has issued a transition plan defining the timeline and milestones for the transfer of files, records and functionaries from MEST to the Teaching Service Commission ("TSC"), in accordance with the Teaching Service Commission Act of 2011.	**Prior action #6** The Recipient's Ministry of Basic and Senior Secondary Education (MoBSSE) has transferred all the responsibilities and records linked to teacher management to the Teacher Service Commission in accordance with the Transition Plan as evidenced by the letter from the Ministry of Finance dated January 31, 2019.	**Prior action #7** To promote equitable deployment of teachers across the country, the Recipient has through the Teaching Service Commission (TSC) established a pilot for a nationwide teacher attendance monitoring system (TAMS) and through the TSC's Board of Commissioners approved and adopted a teacher deployment protocol and incentive strategy, as evidenced by (i) signed minutes of the TSC Board of Commissioners dated January 3, 2020; (ii) signed Teacher Deployment Policy dated	**Result Indicator 8** Absenteeism rate of teachers on payroll Baseline (2015): 30% Target (2020): 15%

		December 2019; and (iii) final report on the TAMS pilot dated March 1, 2020.	
***Pillar 2*- Improving transparency and accountability in selected government decision making processes**			
Prior action #7 The Recipient has taken a decision in Cabinet approving the development of an e-procurement system in order to increase transparency in procurement processes.	**Prior action #7** The Recipient Ministry of Finance has pursuant to Executive Order No. 1, dated April 9, 2018 on Revenue Mobilization directed all Ministries, Departments and Agencies to transfer all revenues collected on behalf of the Recipient into the Treasury Single Account (TSA); and the transfer of the revenues into the TSA has commenced as evidenced by the Daily Summary Report dated January 31, 2019. **Prior action #8** The Recipient's Parliament has passed the Extractive Industry Revenue Act, 2018 which inter alia promotes a transparent, stable, predictable and robust fiscal regime for all future mining contracts.	**Prior action #8** To enable the implementation of a nationwide e-procurement system, the Recipient has through the National Public Procurement Authority prepared and presented to Parliament the Procurement Regulations and, said Procurement Regulations have matured into law, as evidenced by the certificate of maturity issued by the Clerk of Parliament.	**Result Indicator 9** Share of Government Accounts in commercial banks Baseline (2016):90% Target (2021): 10% **Result Indicator 10** Share of public procurement transactions conducted through open competition. Baseline (2016):45%. Target (2021): 85% **Result Indicator 11** Percentage of new mining leases compliant with EIRL Baseline (2016): 0 Target (2021): 100
Prior action #8 The Recipient, acting through its ACC, has issued a public notice urging all public officers who had not filed with the ACC a sworn declaration of income, assets and liabilities, as required by Section 119 of the Anti-Corruption Act of 2008, to comply with said requirement no later than October 31, 2016.	**Prior action #9** The Recipient's Anti-Corruption Commission has submitted to Parliament for approval an Asset Disclosure Regulation which inter alia defines the scope of all government officials covered by said regulation and includes an effective, non-discretionary administrative sanction for non-compliance with asset	**Prior action #9** To enable implementation of the Anti-Corruption Commission (Asset Declaration) Regulations, 2019, the Recipient has enacted an amendment to the Anti-Corruption Act, 2008 to, as evidenced by Gazette supplement volume CXLX, no. 88 dated December 22, 2019.	**Result Indicator 12** Share of public officials that have submitted asset declaration form Baseline (2015): 20% Target (2021): 90%

	disclosure filing obligations as evidenced by the letter dated January 25, 2019 from the Clerk of Parliament		

ANNEX 2: FUND RELATIONS ANNEX

IMF Executive Board Approves Immediate Debt Service Relief for 25 Eligible Low-Income Countries
FOR IMMEDIATE RELEASE

WASHINGTON, DC - The Executive Board today approved relief on debt service for 25 member countries that are eligible for support from the Catastrophe Containment and Relief Trust (CCRT); a further 4 countries are expected to request such relief in the coming weeks. The approval enables the disbursement of grants from the CCRT for repayment of total debt service falling due to the IMF over the next six months, with potential extensions, up to a maximum of full two years from April 14, 2020, subject to availability of sufficient grant resources. The initial relief provided to these countries amounts to SDR 157.1 million (US$213.4 million). Relief on debt service will free up scarce financial resources that now can be directed toward vital emergency medical and other relief efforts while these members combat the impact of the pandemic.

The Managing Director has launched an urgent fundraising effort that would enable the CCRT to provide relief on debt service for a full two years, while leaving the CCRT adequately funded for future needs. This will require a commitment of about US$1.4 billion. Donors have already stepped up with pledges and contributions including a US$185 million pledge by the United Kingdom and US$100 million provided by Japan as immediately available resources. Other donors, including the People's Republic of China and the Netherlands, are also stepping forward with important contributions.

On March 26, the Executive Board of the International Monetary Fund (IMF) adopted a set of reforms to its Catastrophe Containment and Relief Trust (CCRT) to enable the Fund to provide immediate debt service relief for its poorest and most vulnerable members during the current COVID-19 pandemic. The CCRT enables the IMF to deliver grants to eligible low-income countries to cover their IMF debt service obligations in the wake of catastrophic natural disasters and during major global public health emergencies. Eligibility for CCRT support is limited to IMF member countries with annual per capita GNI below the World Bank's operational cut-off (or twice the cut-off for small states), generally the poorest and most vulnerable member countries.

Executive Board Assessment1
Executive Directors determined, effective April 14, 2020, that the COVID-19 pandemic is a Qualifying Public Health Disaster under the Catastrophe Containment and Relief Trust (CCRT) that is inflicting severe economic disruption across the Fund's membership. The crisis is creating balance of payments needs on scale that warrant concerted international efforts to support the poorest and most vulnerable countries through substantial additional grant support for debt service relief. Directors also approved the technical modifications to the CCRT Instrument, which would facilitate operational implementation of the provision of assistance for debt relief under the Catastrophe Containment (CC) window.

Directors agreed that the CCRT has sufficient financial resources to deliver a first tranche of grants for debt service relief to all 29 countries with outstanding credit to the Fund that are potentially eligible for CCRT assistance over the next six months.

They agreed that 25 of these countries that have requested such assistance meet the specific criteria for qualification for debt service relief, and looked forward to considering the requests for assistance of the remaining four eligible members.

Directors would consider committing additional tranches, up to a cap of two years through April 13, 2022, in light of the availability of CCRT resources at the end of each tranche period. To this end, Directors stressed the urgency of the ongoing fundraising effort to ensure timely delivery of assistance to the eligible countries. Directors underscored the importance of monitoring the macroeconomic situations of the recipient countries, including their policy responses to pandemic, and looked forward to an update from staff toward the end of the initial six-month period of debt service relief. In this context, a number of Directors highlighted the need for careful analysis of debt sustainability, safeguards, and accountability, and called for staff assessment on the effectiveness of country policies and use of debt service relief resources prior to the commitment of future tranches.

At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:
http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

April 3, 2020

IMF Executive Board Completes Second Review of Sierra Leone's Extended Credit Facility

- IMF approves disbursement of US $21.13 million (SDR 15.555 million) to Sierra Leone.
- This disbursement underscores the Fund's ongoing commitment to help the country tackle any potential economic fallout from the COVID-19 pandemic.
- The Government's continued reform efforts will help build the foundation necessary to support future development and tackle the exceptionally difficult external environment.

The Executive Board of the International Monetary Fund (IMF) completed the second review of Sierra Leone's performance under the program supported by an Extended Credit Facility (ECF).

Completion of this review enables the IMF to immediately disburse SDR15.555 million (about US$21.13 million), bringing total disbursements under the arrangement to SDR46.665 million (about US$63.39 million). The Executive Board approved the authorities' request for a waiver of non-observance of a performance criterion.

The Board had approved Sierra Leone's 43-month ECF arrangement for SDR124.44 million (about US$172.1 million) on November 30, 2018 (see Press Release No. 18/446). The Government's reform agenda, supported by the ECF, aims to create fiscal space for development needs by strengthening revenue mobilization, containing current spending and improving the efficiency of public investment. In the critical and uncertain period ahead, the Fund is committed to working closely with the Government to help address the priority health and economic needs to combat the fallout of the COVID-19 pandemic.

The Executive Board today also concluded the 2020 Article IV Consultation with Sierra Leone. A separate press release will be issued shortly.

Following the Executive Board discussion, Mr. Geoffrey Okamoto, Acting Chair and First Deputy Managing Director, made the following statement:

"Sierra Leone continued to make good progress under the Fund-supported program. The authorities have demonstrated firm commitment to their reform agenda.

"While the program's medium-term goals remain appropriate to enable future growth and development, the dramatic onset of the global COVID-19 pandemic poses significant near-term risks. Combating the economic fallout of the crisis and protecting the health of Sierra Leoneans should be the immediate priority.

"The authorities' cautious fiscal policy has been important. They have made commendable progress in mobilizing domestic revenue and prudent execution of budgeted expenditures. This has stabilized domestic borrowing needs and allowed inflation pressures to ease.

"The 2020 budget appropriately balances the tight fiscal position and meeting development needs. In line with the Government National Development Plan, the budget prioritizes investing in education and provisions for repaying legacy arrears as part of a broader arrears clearance strategy. The authorities will need to prioritize additional spending to help cushion the impact of COVID-19.

"Managing fiscal risks and securing debt sustainability remain the medium-term priority. Continued revenue mobilization will require both tax administration and policy reforms. Deeper public financial management reforms will further improve budget planning and execution, including preventing new arrears. A strategic plan for the two state-owned banks will be instrumental in addressing underlying fiscal risks.

"Monetary policy remains appropriately focused on reducing inflation to single digits over the medium term. Redoubling efforts to implement the new central bank law and the forensic audit action plan will be critical to strengthening operational effectiveness. Continued actions to reduce strains on the foreign exchange market and preserve exchange rate flexibility are also critical to boost resilience.

"The inadvertent omission of securities issued to the nonbank sector gave rise to a breach of the performance criterion on net credit to the government. The authorities took the necessary corrective actions and measures to avoid re-occurrence of misreporting.''

IMF Communications Department

MEDIA RELATIONS

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ANNEX 3: LETTER OF DEVELOPMENT POLICY

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Ministry of Finance
Secretariat Building
George Street, Freetown
SIERRA LEONE

30th April 2020

Mr. Hafez M.H. Ghanem
Vice President, Africa Region
The World Bank Group
Washington D.C.
U.S.A.

THIRD PRODUCTIVITY AND TRANSPARENCY SUPPORT GRANT (PTSG-III)-LETTER OF DEVELOPMENT POLICY

1. I write on behalf of the Government of Sierra Leone to request the approval of the Third Productivity and Transparency Support Grant (PTSG-III) in the sum of US$100 million to support the financing of Government's priorities, articulated in the Government Budget and the Medium-Term National Development Plan (MTNDP), including the financing for agriculture, fisheries, education and health as well as the expansion of our social safety net programme. In particular, this grant will support the Government's efforts to achieve sustainable and inclusive economic development through: (i) increasing productivity in selected economic sectors; and (ii) improving transparency and accountability in selected government decision-making processes.

2. This letter of development policy summarises the recent economic developments; presents the medium-term macroeconomic outlook for 2020 – 2022 and describes the structural and sectoral reforms being implemented by the Government to support the attainment of the medium-term macroeconomic objectives and outlines how the proposed grant will contribute to the achievement of those objectives. Sierra Leone announced its first Corona Virus disease (COVID-19) case on March 30, 2020. The COVID-19 pandemic outbreak has heightened both the macroeconomic risk and the epidemiological risks in Sierra Leone. Given this situation, the financing will also provide immediate liquidity and the fiscal space needed to respond to the ongoing COVID-19 pandemic.

Recent Economic Developments: 2017-2019

3. **The economy is recovering from subdued growth in 2017 and 2018.** Economic growth is estimated to have picked up in 2019 to 5.1 percent, from 3.5 percent in 2018. In the non-mining sector, agriculture, manufacturing, construction, trade and tourism, transport and communications are expected to lead the recovery of the economy. In the mining sector, iron ore production resumed during the first half of 2019, producing more than half of the projected annual output before the mining licenses of SL Mining were suspended and subsequently cancelled in the third quarter. Diamond and bauxite output are estimated to increase in 2019 based on preliminary data for January to July. On the demand side, growth is expected to be supported by private consumption and investment.

4. **Inflation has been moderating, with seasonal pressures in the third quarter of 2019.** Current estimates suggest that consumer price inflation (CPI) eased to 13.9 percent at end-December 2019. Continued depreciation of the exchange rate and the pass-through into domestic prices explains part of the price pressures. We are continuing to work with IMF support on ongoing technical updates to the CPI series.

5. **Above-target revenues and prudent expenditure management resulted in a lower than programmed overall fiscal deficit (excluding grants).** The deficit, excluding grants, narrowed to 5½ percent of non-iron ore GDP (annualized) during the first three quarters of the year compared to 7.7 percent in 2018. During this period, domestic revenues improved to Le 4.1 trillion, exceeding the target by Le 279 billion. We expect revenues to slightly exceed the annual target of Le 5.3 trillion, reaching around 14.3 percent of non-iron ore GDP by the end of 2019. Increased revenues were driven mainly by administrative reforms, including extensive taxpayer education; the enhanced tracking system of payments including the Treasury Single Account (TSA); improved tax compliance; and the continued application of the liberalized fuel pricing mechanism that we introduced last year.

6. **Overall expenditures remain in line with the budget.** After underspending in the first half of 2019, spending picked up in the third quarter and is estimated to end the year below 21 percent of non-iron ore GDP. The reclassification of the salaries of the university staff from subsidies and transfers into the payroll, along with the payment of salaries to Paramount Chiefs resulted in higher-than-programmed wages and salaries. Increased payments to the electricity company as part of efforts to improve public financial management increased subsidies and transfers beyond budgeted amounts.

7. **Tight liquidity conditions in the interbank market proved challenging for implementing monetary policy.** The large stock of domestic arrears to the private sector, delayed disbursement of inflows from development partners, and banks buying tradable securities from the non-bank sector compounded the tight liquidity situation, despite lower-than-expected credit to the government in the first half of the year. Credit to the private sector increased by 25.5 percent through September 2019. With high but easing inflationary pressures, the BSL kept the monetary policy rate on hold in the first half of the year, particularly on the back of slowing growth momentum, rollover risk in the domestic debt market, and tight liquidity conditions in the banks.

8. **The banking system remains stable, with banks appearing largely profitable** and adequately capitalized, albeit with large diversity across institutions. As of end-June 2019, the industry capital adequacy ratio was 47.2 percent, up from 43.4 percent a year earlier, and all banks met the minimum 15 percent. While the state-owned banks continue to hold large stocks of T-bills, their goal is to decrease exposure to the government. In this regard, both banks have cautiously resumed lending mostly to existing private sector customers within the context of updated enhanced supervision directives issued in April 2019 and under the oversight of the reconstituted boards of both banks. The asset base and total deposits of the banking system continue to increase, and gross loans and advances increased by 26.7 percent year on year by end-June 2019, with more than half going to commerce, finance and construction. Borrowing costs remain persistently high. Aggregate non-performing loans (NPLs) were 13.1 percent at end-June 2019, up from 12.8 percent a year earlier.

9. **While the external accounts improved, pressure on the exchange rate remains.** The current account deficit narrowed slightly to 18.7 percent of non-iron ore GDP in 2018 from 21.1 percent in 2017, partly on account of income and current transfers. Yet weak performance of exports and demand for imports of essential commodities caused the Leone to depreciate by 13.4 percent year-on-year against the US dollar in 2019. The BSL intervened in the market through wholesale foreign exchange auction to smooth out volatility and complement the supply of foreign exchange to support essential imports. Gross international reserves (excluding swaps) increased from their end-2018 level (US$487 million), exceeding our end-June target and reaching US$547 million at end 2019 (about 3.8 months of imports).

10. **The total stock of public debt was estimated at US$ 2.33 billion** (62.7 percent of GDP) at end 2019. External debt amounted to US$1.61 billion (or 70.3 percent of total debt) compared to US$1.57 billion at end-2018. This increase mainly reflects disbursements for priority power, water, road and education projects. Multilateral debt accounted for the largest share of the stock of external debt (76.1 percent), commercial debt (11.6 percent), and bilateral debt (12.3 percent). Domestic debt amounted to US$676.9 million (or 29.7 percent of total debt). The increase in domestic debt by around 6.5 percent was mainly due to new issuances in securities, mainly the 364-day T-bills, but also the new issuance of zero-coupon treasury bonds associated with clearing arrears. Domestic interest payments during January-June 2019 amounted to Le 464.9 billion from Le 422.3 billion during the same period last year, an increase of 10.1 percent due mainly to the volumes of new T-bills issued.

Medium-Term Macroeconomic Outlook 2020 -2022

11. **Prior to the outbreak of the COVID-19 pandemic, the economic outlook was broadly balanced. The pre-COVID-19 projections indicated that** the economy would grow by an average of 4½ percent over the medium term. Agriculture and construction (primarily public construction) were expected to be the primary drivers of growth. Inflation was projected to return to single digits by 2022, reflecting the proactive stance of monetary policy, as well as the projected increase in domestic food production. The overall fiscal deficit (excluding grants) was projected to decline steadily, from 6.3 percent of non-iron ore GDP in 2019 to 5 percent in 2022, driven by a mix of expenditure reforms and strong revenue mobilization. Continued foreign inflows, including direct investment, would finance the still high but declining current account deficit. Increasing international reserves over the program period will strengthen external stability and the country's resilience to shocks.

12. **However, with the outbreak of the COVID-19, we anticipate that projected economic growth in 2020 will decline by 6.5 percentage points to almost -2.5 percent. The corresponding fall-off in tax revenues, together with additional critical health and social outlays, could be in the order of 2.5 percent of GDP. The emerging balance of payments need owing to the projected fall in exports and the disruption in capital inflows including foreign direct investment would be around US$110 million or one-fifth of our end-2019 official external reserves.**

13. **Nevertheless, there are other risks to the outlook.** A continuous slump in the price of minerals, our main exports could have negative implications for economic growth, domestic revenues, and foreign exchange earnings. The delays in the disbursement of budget support and the subsequent implications for financing the annual budget, could also complicate the outlook.

14. **The strong revenue performance in 2019 supported improved budget execution.** For the medium term, the key priority of fiscal policy will be to continue to generate more revenue as well as containing expenditures within agreed limits.

15. **On this account, the fiscal framework will be guided by two anchors – debt sustainability and domestic financing.** Key elements of this framework will include; a gradual decline in overall deficit (excluding grants) averaging nearly ¾ of a percentage points per year over the medium term, slowing the pace of debt accumulation; prioritizing faster arrears clearance thereby freeing fiscal space in future years for additional poverty alleviating activities. Significant efforts will also be made to improve public expenditures, especially the integrity of government's payroll.

Domestic revenue mobilization

16. **Progress on implementing several revenue-enhancing measures** outlined in our Letter of Development Policy for the second Productivity and Transition Support Grant helped us to exceed the program target. For 2020 Government will continue pursuing measures and reforms to further strengthen tax policy and administration to yield the needed revenues to support and expand priority spending. More specifically the Government will:

(i) Submit a revised National Revenue Authority (NRA) Act to the Parliament by end-April 2020 that reflects Fund staff review and advice.
(ii) Complete the strategy to settle the arrears of several SOEs and MDAs on their tax payments.
(iii) Undertake a robust revenue enforcement drive (Short-term Revenue Improvement Program STRIP), establishing tax liabilities prior to pursuing them, conducting audits for specific taxes in selected sectors (energy, road construction, and contracts to Ministries, Departments and Agencies of Government (MDAs)), strictly monitoring domestic excise collection, and GST compliance.
(iv) Continue engaging MDAs and TSA agencies to track and pursue outstanding payments.

Expenditure Management

17. **The Government is committed to improving public expenditure management and control.** This will be vital to ensure that taxpayers' resources and scarce fiscal financing are spent as efficiently and effectively as possible, targeting priority needs. To this end, we will embark on reforms to improve the integrity and sustainability of the government payroll; improve the quality and efficiency of non-salary non-interest recurrent and capital expenditures; and strengthen expenditure controls on other recurrent expenditures.

Wage Reforms

18. **The Government remains committed to returning the wage bill,** over time, to not more than 6 percent of GDP while ensuring fair salaries, particularly in priority areas. A critical first step towards our medium-term goal is to have accurate records for all public sector employees. This included our cleaning of the payroll, reinforcing timely retirement of employees (above 60 years), producing payroll monitoring reports, continuing to minimize manual voucher payments by automating the payroll of sub-vented agencies and tertiary institutions and

instituting a policy which ensures no staff is added on the payroll without valid unique identifiers (BBAN, NASSIT, National Identification Numbers).

19. **The Government will redouble efforts to strengthen commitment controls to avoid further accumulation of arrears.** In this regard, and in the context of our forthcoming arrears clearance strategy, we are committed to pursuing zero net arrears accumulation on an annual basis.

20. **Integrating IFMIS with other systems will also be a priority.** An Electronic Funds Transfer (EFT) System is being developed to provide the AGD with the capability to make cashless and paperless disbursements to recipients and beneficiaries of Government payment obligations through the BSL; enable the real time processing of all payment transactions from the AGD; and provide for a seamless reconciliation process between the BSL and AGD. We are also exploring similar integration between the IFMIS and NRA systems to improve tax compliance checks.

21. **For effective commitment controls, the Government will also continue to strengthen budget preparation** to better reflect the spending needs of MDAs. The Ministry of Finance has deployed budget officers to MDAs to strengthen their projections, with a view to ensuring better budgetary allocations. The PET Survey undertaken in 2019 on selected 2018 expenditures in the education, agriculture and health sectors will help ensure that disbursed resources reach the intended beneficiary, and also better inform future budget preparation and allocation.

Improving Procurement

22. **As part of its commitment to improve transparency and accountability in procurement processes, Government will ensure that all procuring entities prepare credible and realistic procurement plans.** Government will also publish annual procurement assessment reports, with the report on procurement activities of procuring entities for 2018 to be published by December 2019.

Capital Expenditure Management

23. The Government is taking steps to enhance the quality and implementation of domestic and foreign-funded capital projects. To speed up implementation and improve the quality of delivery of capital projects, the MoF and the Ministry of Planning and Economic Development (MoPED) have established a two-tier oversight system: (i) an Inter-Ministerial Committee that provides policy oversight of projects; and (ii) a Technical Implementation Committee that monitors and evaluates the implementation of development interventions. The Government is reviewing the draft National Public Investment Management Policy, which it plans to adopt before the end of 2020, to guide capital expenditure planning, execution and coordination, and appraisal of developmental projects for informed decision-making.

POLICY REFORMS IN 2017-2020

24. The Government has continued to implement key reforms to enhance macroeconomic stability by pursuing fiscal consolidation, enhancing domestic revenue mobilization, adopting expenditure control measures and remaining on track with IMF ECF program.

25. We are cognizant of the need to diversify the economy in order to achieve sustainable and inclusive growth by focusing on key economic sectors such as agriculture, fisheries, energy and human capital development (education). The policy direction the Government is taking with regards to productivity and transparency in selected economic sectors is presented below:

Pillar 1- Increasing Productivity in Selected Economic Sectors

Agriculture and Lands - the medium-term objective of Government in the Agricultural sector is to attain amongst others 90% food sufficiency and 86% national rice self-sufficiency by 2023. In line with this objective, Government has in recent years taken action to enhance productivity and competitiveness in the agricultural sector.

26. **Government as part of its legislative reforms in the sector,** has enacted the 'The Sierra Leone Seed Certification Agency Act 2018', the National Fertilizer Regulatory Agency Act, 2017, and the National Fertilizer Regulations, 2020 which are consistent with the ECOWAS regulation on fertilizer. Government has also enacted the Sierra Leone Seed Certification Agency Regulations 2020 which will guide the implementation of the Sierra Leone Seed Certification Agency Act 2018. These legislative reforms are intended to reduce Government's role as direct supplier and distributor of agricultural inputs and promote private sector participation in the sector.

27. **To implement the legislative reforms,** Government has operationalized the Seed Certification Agency and the Fertilizer Regulatory Agency and allocated funding for the operations of the Agencies in the National Budget. The Seed Certification Agency is responsible for overseeing the seed production, multiplication and distribution processes whilst the Fertilizer Regulatory Agency is responsible for promoting competitiveness in the fertilizer industry and to regulate the manufacturing, importation and distribution of fertilizer, consistent with the ECOWAS Fertilizer Regulation.

28. **The Board of both Agencies are functional,** and the Ministry of Agriculture has seconded core staff to the Agencies whilst they complete the recruitment of permanent staff. The Seed Certification Agency has licensed ten private seed companies and released twenty-eight improved crop varieties.

29. **A National Crops Catalogue of six crops has been developed** including 27 rice, 13 cassava, 5 cowpea, 4 sweet potato, 4 soybean and 1 groundnut crop varieties; they have conducted Seed Certification and Quality Control Activities across the country and seed testing, inspection and processing.

30. **Cabinet has also adopted the National Rice Policy and the Rice Value Chain Development Strategy** to support the attainment of 86 % rice self-sufficiency by 2023. The objective of the National Rice Policy and the Development Strategy is for Sierra Leone to produce and process sufficient quantities of quality rice, preferred by the domestic market at prices that are competitive to imported rice by 2028. This is to be achieved through the following:

i. promoting competitive production, processing and consumption of quality rice produced in Sierra Leone;
ii. supporting the processing and marketing of rice produced locally;

iii. ensuring that data and information is readily available in a useful form that can be used for investment and national planning purposes for the development of the rice value chain; and
iv. strengthening coordination and the institutional framework for the implementation and monitoring of the national rice policy.

31. **In the Lands sector, Government's objective is to ensure food security, environmental sustainability and alleviate poverty through tenure security, protection of customary land rights, equal access to and control over land, spatial planning and enabling technology.** The focus therefore is to enhance the land tenure security and improve access to land resources for agricultural investment and ensure at least 20% land ownership by rural women. To achieve this, Government has over the past three years diligently undertaken series of policy actions to establish a legislative framework for Land reform.

32. **In 2017 Cabinet adopted the National Lands Policy (NLP) and its Implementation Plan and Financial Plan (2016-2026).** This Policy provided a clear pathway for a transparent, more effective and just land tenure system that provides for social and public demands, stimulate responsible investment and form a basis for the nation's continued socio-economic development. Given the complexity of reforming a land tenure system, Government established an institutional framework for the implementation of the NLP, which includes a National Steering Committee and gender sensitive Regional Land Oversight Committees. The NLP Steering Committee is responsible for providing oversight responsibilities for the implementation of the policy at national level and the Gender Sensitive Regional Oversight committees are to provide oversight responsibilities in the regions. This institutional framework provided a clear trajectory and served as a vehicle for the implementation of the policy at national level and in communities.

33. **The Draft Land Commission and Customary Land Rights Bills have been produced and circulated to stakeholders at local, national and international levels for input.** The bills have been widely consulted on at regional level. The regional consultations included Ministries, Departments and Agencies (MDAs), Civil Society Organizations, Development Partners, Traditional Leaders, Local Authorities, Youths and Women groups and the Gender Sensitive Regional Oversight Committees (South, East, North and North-West). Outcomes of the regional consultations by the Ministry of Lands, Housing and Country Planning were strengthened by the district level pre-consultations conducted by the civil society led Land for Life Consortium headed by the Network Movement for Justice and Development (NMJD).

34. **The draft Land Commission Bill is an attempt to decentralize land administration and management.** The draft Bill aims to establish the National Land Commission and other land administration bodies in Sierra Leone in line with the 2015 National Land Policy. It provides for registration of title to private land (including customary land), a modern national land title registry, modern land surveying and mapping, guidelines for national land use planning, a land taxation regime, and co-management of foreshores.

35. **The draft Customary Land Rights Bill aims to give legal effect to provisions in the 2015 National Land Policy,** which protect land rights under customary law for all citizens. The draft Bill highlights the principle of non-discrimination and seeks to protect women's land rights in this context. One of the main focus areas of the draft Bill is to clarify land

administration of customary land and define the roles and responsibilities of communities, government, and investors in the case of land-based investments.

36. **The development of the draft Land Commission Bill and the Customary Land Bill is in the final stages** and will be presented for validation at a National Lands Conference once the corona virus situation allows. The initial plan of conducting the national land conference in March 2020 had to be postponed due to the evolving corona crisis and related measures taken by the government. However, regional consultations at the local level were conducted earlier. The government commits to hold a multi-stakeholder national land conference for consultations on the draft bills in close coordination with MDAs, civil society organizations, and development partners. The Bills, adjusted as appropriate in light of the National Lands Conference, will then be submitted for pre-legislative review by the Office of the Attorney General and then to Cabinet for adoption and submission to Parliament. The Government will share the drafts resulting from the Office of the Attorney General review with MDAs, civil society organizations and development partners, including the World Bank, prior to submission to Parliament.

37. **Fisheries – the medium-term strategic objective of Government in the fisheries sector is to begin industrial processing of marine products and to promote responsible, environmentally sound and sustained fishing and aquaculture through good governance, while contributing to poverty reduction and wealth creation.** Curtailing illegal, unreported and unregulated (IUU) fishing practices therefore is at the centre of Government's policy. Government has taken actions to improve monitoring and surveillance in the fisheries sector, including the installation of a Vessel Monitoring System (VMS) or Automatic Identification System (AIS) on industrial vessels and on-board observers to increase transparency and reinforce monitoring, control and surveillance of fishing activities. The installation of the VMS and AIS has improved the transparency, monitoring, control and surveillance of fisheries activities. This has resulted in a decrease of Inshore Exclusion Zone (IEZ) incursions by industrial fishing vessels, although there still exist some cases of IEZ incursions by deck semi-industrial fishing vessels. There has also been a decrease in fisheries violations, especially those, which can be detected by observer devices like VMS and AIS.

38. **To further strengthen sustainable management of fisheries resources, Parliament approved the Fisheries and Aquaculture Act, 2018.** In the last quarter of 2019, Parliament enacted the new Fisheries and Aquaculture Regulations, 2019 to complement the Fisheries and Aquaculture Act, 2018 with a view to enhancing the legal framework for the implementation of a robust monitoring control and surveillance system to ensure compliance and sustainable management of our fisheries resources. This has led to a reduction in the number of vessels with very large tonnage and a relative decrease in cumulative fishing effort.

39. **The Fisheries (Fees) Regulations 2018 were also approved by Parliament to harmonize license fees with countries in the sub-region.** Of particular significance in the Fisheries Regulations are the fines and penalties for infractions, which are high to dissuade operators of fishing vessels from committing an offence in the first place, and if they do to prevent them from repeating an offence. Additionally, a National Plan of Action (NPOA) was approved by Cabinet in February 2020 to prevent, deter and eliminate Illegal Unreported and Unregulated (IUU) fishing and is being implemented.

40. **Government has also made significant progress in addressing the issue of the Yellow Card issued to Sierra Leone by the European Union (EU)** for having inadequate measures in place to address IUU. The following measures have been undertaken as prescribed by the EU: i) the sustainable funding for Ministry of Fisheries and Marine Resources (MFMR) to effectively operate the Joint Operations Centre (JOC) at the Joint Maritime Committee (JMC); and ii) to address the ongoing issues with the international ship registry. Cabinet has granted approval for the Sierra Leone Maritime Administration (SLMA) to remove all fishing vessels and vessels engaged in fishing related activities from the international registry thus ceasing their operations. The Ministry of Finance (MoF) has allocated funds to the JOC through the MFMR to strengthen monitoring and surveillance activities. The Government issued Fisheries and Aquaculture Regulation, 2019 to ensure consistency with the Fisheries and Aquaculture Act, 2018 and strengthen the legal framework governing the sector.

41. **Based on precautionary and management principles, the Ministry of Fisheries for the first time implemented a one month 'Closed Season'** (1st -30th April 2019) for industrial fishing vessels. This conservation measure is part of the Management Plan contributing to the rebuilding of the fish stocks. Results from the closed season revealed the re-emergence of some species that were hardly caught by artisanal fishers for a very long time and larger size fish species were predominate in the catches of the small-scale fishers.

42. **As part of its efforts to combat the effect of climate change, the Government has signed an MoU with United Nations Development Programme** and are jointly implementing the ''Adapting to Climate Change Induced Coastal Risk Management Project'' in four communities (Bonthe – Turtle Island, Shenge, Hamilton and Tombo).

43. **Energy – The Government's objective in the energy sector is to increase installed capacity from 167.2 MW to 650 MW and to reduce transmission losses from 38% to 20% by 2023.** To achieve this objective, the Board of Electricity Distribution Supply Agency (EDSA) approved a Network Configuration Optimization Plan (NCOP) in 2018 which seeks to improve the efficiency of electricity transmission and reduce losses. The NCOP is been successfully implemented and the network evacuation capacity has increased from 56MW to 77.2 MW as at the end of December 2019, while the average generation utilisation increased from 85.7% in 2017 to reach 96.7% in 2019. As a result, the distribution network has improved, with significant progress on key Performance Indicators. The average down time due to faults has also been reduced from an average of 13.2 hours (in 2017) to an average of 5.2 hours (in 2019).

44. **In 2016, the Board of EDSA also approved a Strategic Plan, which aims to improve the financial situation of EDSA** by reducing technical and commercial losses. With the implementation of the Strategic Plan, electricity revenue collection rates have improved significantly to 85% nationwide. In addition, a significant number of postpaid meters were replaced with prepaid meters, except for strategic government agencies including the military.

45. **In line with the Strategic Plan,** the Board of EDSA approved a new organizational structure in November 2019 to improve the operational efficiency and financial sustainability. The management of EDSA has also been strengthened with the recruitment of staff to fill all senior management positions in the organogram including the following:

- The Chief Finance Officer

- The Commercial Director
- The Logistics Manager
- The Head of Finance
- The International Adviser of Technical Losses
- The Distribution Technical Services Director

46. **The Succession Plan by the Management Contractor (MC) has been implemented** for the Local Directors/Managers to assume the management of EDSA after the MC contract expires in March 2020. Training and capacity building plans were developed by the various departments in EDSA which are being rolled out.

47. **In addition to reforms within EDSA, Government has embarked on several reforms to address electricity constraints in the country.** Cabinet in 2017 adopted the Energy Sector Road Map, which was developed by the Ministry of Energy with support from the Millennium Challenge Corporation to promote financial sustainability of the sector and universal access to electricity. Government also launched the Renewable Energy Efficiency Policies in 2018, which aims to promote sustainable renewable energy and off-grid energy solutions at low cost to Government.

48. **Education/Operationalization of the Teaching Service Commission (TSC) - Human capital development is at the heart of the Government's Medium-Term National Development Plan.** The strategic objective of the Government in the education sector is to significantly improve and increase access to quality basic and senior secondary education in both formal and non-formal settings, in a safe, inclusive and equitable manner for sustainable economic growth. In this regard, the Government had in recent years strengthened the TSC which was established in accordance with the Teaching Service Commission Act 2011, to promote efficient teacher management and teacher development and enhance learning outcomes. The core function of the Commission is to address matters pertaining to teacher management, improvement of the professional status and wellbeing of teachers.

49. **All functions relating to teacher management, teacher records and teacher payroll previously undertaken by the Ministry of Education, have been transferred to the Commission** in line with the Transition Plan agreed between the Ministry and the Teaching Service Commission. Vacancies at the Secretariat and Offices in District Headquarter Towns have been filled to enable the Commission to properly perform its functions.

50. **The requisite policy framework to guide and support the function of the Commission has been developed.** These include Professional Standards for Teachers and School Leaders, a Comprehensive Situation Analysis of Teachers and the Teaching Profession and Policy Guidelines on Teacher Development and the Teacher Deployment Policy. The Teacher Deployment Policy regulates the recruitment of teachers to schools based on the number of students, number of existing teachers and expected and desired pupil to qualified teacher ratio.

51. **To improve on teacher attendance and learning outcomes, the TSC has piloted an automated Teacher Attendance Monitoring System (TAMS)** in 15 schools and will extend to 50 schools within a 6 months pilot phase. The purpose of the rapid pilot or 'proof of concept' of the Sierra Leone Education Attendance Monitoring System (SLEAMS) is to test basic technological functionality. Analysis of the data, from the rapid piloting shows an absentee rate of 11% for the 504 teachers covered in 14 schools.

52. **The introduction of the TAMS will increase transparency and accountability through improved teacher data** and will strengthen teacher management and the integrity of the teacher payroll. It will also support the implementation of the Free Quality School Education (FQSE) policy, given the increased demand for teachers and associated cost implications stemming from teacher absenteeism and the broader commitment to spend 21% of GoSL national budget on education.

Pillar 2- Improving Transparency and Accountability in Selected Government Decision Making Processes

53. **Strengthen the Policy and Legislative Framework in the Mining Sector. Given the shocks and lessons learnt from the fall in iron ore prices in 2014, Government has undertaken a number of reforms to improve the management of the country's mineral resources.** In 2018, Cabinet adopted the Sierra Leone Minerals Policy and its sub-policies namely the Geo-Data Management Policy and Artisanal Mining Policy, which were prepared following extensive nationwide stakeholder consultations to reflect best mining industry practices within the context of Sierra Leone's mineral sector developments. Sierra Leone is well endowed with mineral resources. Mining, particularly of diamonds, gold, rutile and bauxite and iron ore has a proven track record of viability in Sierra Leone with the sector being a main driver of GDP growth and export revenues. The policies are aligned with the African Mining Vision (AMV), the Economic Community of West African States (ECOWAS) Mineral Development Policy and other sub-regional sector commitments and they will provide the framework under which a new Mines and Minerals Development Act will be formulated.

54. **As part of this effort, the Extractive Industries Revenue Act (EIRA) 2018 was enacted to consolidate fiscal regimes for the mining and petroleum sectors.** The EIRA provides for a level playing field for all investors in the extractive sectors as far as the fiscal regime is concerned and is expected to result in higher mineral revenues by bringing the minerals taxation regime, contained in mining agreements, under one set of consistently applied and transparent rules; thereby providing an adequate framework for increasing overall domestic revenue.

55. **The Minerals Policy sets out clear institutional, fiscal and technical frameworks in line with international best practice.** It positions mining not as a stand-alone sector to be regulated in silo but rather, as a sector that impacts virtually all other sectors and quality of life including, the economy, employment, environment, health and education. The policy establishes the Ministry of Mines and Minerals Resources (MMMR) as the responsible Government agency through which Government will govern and manage the minerals sector to become a key driver of economic transformation, growth and development in an environmentally sustainable manner. Operating as part of the MMMR is the National Mines Agency (NMA), the sector regulator responsible for cadastre, geological survey and compliance functions. The need for inter-governmental coordination and changing institutional roles and relationships are detailed in the policy setting out the roadmap for harmonizing sector legislations on issues pertaining to local content development, land management, community conflict, labor grievances, environmental and social impacts, geo-political relations and the fiscal regime. The new Mines and Minerals Act will clearly set out the powers and functions

not only of the Ministry of Mines and Minerals Resources (MMMR) but of mining-sector related institutions.

56. **The Minerals Policy stipulates that mining is conducted using a royalty-based licensing system that includes large-scale, small-scale, and artisanal mining.** Government recognizes that artisanal mining is an important livelihood issue in Sierra Leone hence the approval of a stand-alone Artisanal Mining Policy. It is estimated that more than 300,000 miners, made up of both men and women, are engaged in artisanal operations in more than 90 Chiefdoms primarily for diamonds and gold although some coltan and zircon is also mined.

57. **Government is now in the process of revising the Mines and Minerals Act of 2009 and preparing a new Mines and Minerals Law to be enacted later this year, strengthening the legislative framework to safeguard minerals development for the benefit of the people of Sierra Leone in the near and long-term.** The Act is being prepared in line with the approved Minerals Policy, and sub-policies, to reflect international best practice by adopting a holistic approach to mining that considers all phases of mining from pre-production to mine closure and incorporates regulatory aspects relevant to finance, land, environment, labour, health and safety, dispute resolution and social protection. The new Act aims to create a predictable and transparent legislative regime to attract further responsible investments in the sector, operationalize policy priorities that set out clear institutional and operational arrangements to guide mining sector investments, and to clarify definitions and modernize terminologies that reflect current market practice. The new legislation will reflect feedback received from key stakeholders after an extensive consultation process.

58. The Office of the Attorney General and Minister of Justice is in the final stage of drafting the Revised Mines and Minerals Bill, however due to the COVID-19 restrictive measures Government cannot hold stakeholders consultations to validate the Bill or pursue the legislative process. Given the importance of this reform in promoting transparency and accountability in the minerals sector, the Government is committed to enacting the revised Bill later in the year, subject to the containment of the COVID-19 outbreak and the removal of restrictive measures to permit meaningful stakeholder consultations.

59. **Public Procurement - to improve transparency and accountability in public procurement, the Government has implemented several initiatives** which includes: i) establishment of the Independent Procurement Review Panel; ii) introduction of standard bidding documents which ensures bidding documents and evaluation processes are subjected to thorough reviews before awards are given; publication of quarterly price norms; iii) dissuasion of the use of sole source method by procuring entities; and iv) the publication of quarterly price norms.

60. **Government is also undertaking measures to ensure all procuring entities prepare credible and realistic procurement plans** which will be linked to activities in their budgets and will be the basis for disbursement of budgetary resources. Consequently, the Public Procurement Regulations, 2020 have been enacted by the Government.

61. **The Public Procurement Regulations 2020 will replace the existing Public Procurement Regulations 2006.** The Procurement Regulations, 2020 amends and repeals provisions under the Public Procurement Regulations 2006 and the new regulations provide

for, amongst other things, the introduction and implementation of electronic government procurement (e-Procurement). In addition, the revised Procurement Regulations include provisions to register all suppliers, contractors and consultants for a minimal fee for use of the e-Procurement system. The Regulations further embed the revised procurement thresholds which will be more easily accessible by procuring entities, suppliers and consultants.

62. **Anti-Corruption – to enhance integrity in the public sector, Government has enacted an amendment to the Anti-Corruption Act, 2008** to provide a more robust legal framework in the fight against corruption. Section 119 of the Anti-Corruption Act 2008 which requires all public-sector workers to file with the Anti-Corruption Commission (ACC) a sworn declaration of income, assets and liabilities has been strengthened to address inadequacies in the legal framework particularly in the enforcement and sanctions regime.

63. **The amendment to the Act improves the asset declaration system by:**

i. Reducing and objectively defining the scope of officials subject to asset disclosure obligations to a number that better corresponds to the operational capacity of the ACC to effectively identify the precise number of officials subject to asset declaration obligations so that enforcement can be carried out in a fair and equitable manner; and
ii. Providing the legal basis for the application of effective dissuasive regulatory sanctions against all non-compliant officials without exception regardless of position, rank or status.

64. **A new Asset Disclosure Regulation has also been ratified by Parliament.** It defines the scope of covered officials in all branches of the Public Sector including the civil service, executive appointees, judiciary, parliament, diplomatic service, military and state-owned Enterprises (SOEs) and includes an effective, non-discretionary administrative sanction for non-compliance with asset declaration filing obligations.

65. **The Commission has adopted a new Anti-Corruption Strategy** which defines the focus of the fight against corruption has been developed in accordance with the Anti-Corruption Act 2019 and the United Nations Convention Against Corruption 2005. The strategy shifts the focus on fighting corruption to enforcement whilst corruption prevention remains an important component.

Conclusion

66. Mr. President, as laid out above, Government has made significant progress in the implementation of policy reforms under the Third Productivity and Transparency Support Grant (PTSG-III). The implementation of the reform measures contained in the program will contribute to the attainment of Government's medium-term economic objectives, broad-based economic growth and poverty reduction.

67. Whilst Government continues its efforts to mobilize domestic revenue, the financial assistance, particularly budget support, remains critical to the effective delivery of public services.

68. The COVID-19 pandemic would pose significant risks to well-being and socio-economic security of the Sierra Leonean people. The economic impact of the pandemic coupled with

restrictive measures will possibly slow down the implementation of reforms as resources and focus will be channeled to preventing or curtailing the spread of the virus.

69. Your approval of this disbursement request, therefore, will enable Government to deliver the planned level of services to the people of Sierra Leone.

Please accept the assurances of our highest consideration,

Jacob Jusu Saffa
Minister of Finance

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS and TABLE

Annex 4.1: Sierra Leone Climate Change Co-Benefits Assessment and Intended Actions

1. ***Risks and vulnerabilities***. The impact of climate change could increase the share of Sierra Leoneans living below the poverty line up to 2 percent by 2030.[24] The country is dependent on environmentally sensitive sectors such as agriculture and fisheries which exacerbate its vulnerability to climate change; and threatens food security and the livelihoods of most of the population.[25] An increase in the frequency and severity of extreme weather events would inflict a heavy toll in human lives and welfare while damaging the country's scarce and valuable capital. The poorest households and communities will be hit hardest, as income and health shocks will drive them deeper into poverty. The key climate stressors are increasing average temperatures and unpredictable and extreme precipitation events. Natural hazards also present severe economic and social risks. Landslides threaten human lives and can have a simultaneous impact on multiple sectors. For example, a major landslide that occurred in 2017 resulted in close to US$32 million in damages and loses in: electricity, transportation, housing, education, WASH and other key sectors.[26] Storms and Squall Lines are a recurring natural hazard that bring thunderstorms and high winds in the pre-monsoon season (April to June). These storms often disrupt national infrastructure, damage people's homes, destroy agricultural crops, and cause coastal erosion. Furthermore, deforestation is a major concern and has been growing at 2.5 percent annually translating into an estimated loss of 40,000 hectares of forest per year.[27] National climate change strategies and commitments prioritize improved land-use planning, adaptation, mitigation, and enhanced disaster-risk management. These commitments also highlight the importance of adopting climate-smart agriculture measures and technologies.[28, 29]

2. ***Sierra Leone is highly vulnerable to climate-change-related risks, which this operation addresses by supporting policies designed to strengthen climate resilience in the agriculture and energy sectors.***

3. ***In the agriculture sector,*** the operation supports reforms aimed at enhancing productivity and climate resilience through new seed and fertilizer regulations; and supports reforms that target two of the primary food sources in Sierra Leone, rice and fish, which are particularly vulnerable to climate change impacts. The policies and reforms of this operation align with the Economic Community of West African States (ECOWAS) regional strategy which aims to harmonize the rules governing the management of seeds and fertilizer in the region, under a framework of environmental sustainability.

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[24] World Bank (2016) "Shockwaves: Managing the impacts of climate change on poverty." Climate Change and Development Series. Washington, DC
[25] World Bank's Climate Change Knowledge Portal
[26] World Bank (2017) Sierra Leone Rapid Damage and Loss Assessment of August 14, 2017: Landslides and Floods in the Western Area
[27] Government of Sierra Leone (2005) Third National Communication of Sierra Leone to the United Nations Framework Convention on Climate Change
[28] Government of Sierra Leone (2015) Intended Nationally Determined Contribution
[29] Government of Sierra Leone (2010) National Sustainable Agriculture Development Plan (2010-2030)

- ***Seed regulation (Prior action #1)***. This operation is designed to provide the regulatory framework necessary to support a sustainable and resilient seed-delivery system and facilitate private-sector participation in seed production, through the enactment of the Seed Certification Agency Regulations and the establishment of the Seed Certification Agency. The Agency's role is to expand the availability of improved and high-quality seeds to boost agricultural productivity. In Sierra Leone, agricultural yields are low for most crops and are only at about a third of their potential levels. Although the country has favorable environmental conditions for agricultural production, the environment is hot and humid which is ideal for pest infestations. Increasing temperatures, as a result of climate change, will translate into more frequent episodes of pest infestations. Extreme precipitation events also contribute to flooding and to the destruction of crops. Most smallholder farmers are constrained by the lack of climate-resilient seeds. The FAO's CFSVA, 2015 found that only 10.3 percent of farmers use improved seed varieties compared to 5.2 percent of households in the SLIHS (2018) Report. This proposed operation will address these challenges by supporting increased domestic production of high-yielding, disease- and pest-resistant seed varieties tailored to local ecological conditions.
- ***Rice production*** (***Prior Action #2)*** The Rice Sector Development Policy and Implementation Strategy encourages the mechanizing of commercial rice production including the development of appropriate climate-smart technologies. Rice production is characterized by low yields, largely attributed to high climate sensitivity, lack of improved technologies, low levels of value chain integration, lack of access to input and output markets, low institutional capacity particularly for the provision of agricultural research and development services. Rice production yield is sensitive to high temperatures and humidity, as well as to pests that thrive in these environments.[30] Rice plants require an optimum temperature at different growth stages. An increase of 0.6°C, in the 2020s, would put 5 out of the 9 growth stages at risk. To date, higher levels of agricultural technology have not been affordable due to low economic returns from core commodities. Land preparation, cropping, harvesting and threshing is largely done by hoe, cutlass and bare hands. There is a low availability of rice milling facilities, feed mills and mechanics to ensure that farmers can benefit from sales of their final products.[31] The policy is expected to promote domestic production (from to 1.1MT per ha to 1.8 MT per ha in 2021) and reduce import dependence. This policy will encourage the entry of new climate-smart technologies into the sector to facilitate climate change adaptation, secure high production yields, and ensure long-term food security in the country. The policy complements the Seed and Fertilizer Regulations by promoting linkages between investment in agriculture and smallholder farmers – ensuring the use of climate resilient seeds, climate friendly fertilizers, and the migration from subsistence to mechanized commercial production of rice in a sustainable way.
- ***Fertilizer regulation (Prior action #3).*** The establishment of the National Fertilizer Regulatory Agency (NaFRA) Regulations and operationalized the NaFRA, including the appointment of its governing Board would contribute to the reduction of non-CO_2 GHG emissions in agricultural production through greater availability of environmentally sustainable alternatives. Current land and land-use patterns present three constraints to achieving productivity in the sector: (i) declining soil fertility (due to pressure on land, especially upland soils), (ii) reduction of soil in fallow periods, and

[30] USAID (2016) Climate Change Risk Profile: Sierra Leone. Climate Links. Washington, D.C.
[31] Government of Sierra Leone (2009) National Rice Development Strategy

(iii) low levels of fertilizer use among small holders. According to SLIHS (2018) report, only 9 percent of farming households use organic or natural fertilizers, 8.3 percent use inorganic or chemical fertilizers, 1.9 percent use herbicides or pesticides, and 4 percent use improved agricultural practices. The fertilizer supply chain is inefficient, as delivery by the Ministry of Agriculture (MAF) is often with significant delays, which in turn lead to suboptimal usage and consequently lower yields. Sierra Leone's Third National Communication to the UNFCCC identified the low utilization of organic fertilizer in agricultural production; and highlighted the need to regulate and standardize fertilizer markets to increase the availability of high-quality organic options. This reform will allow the introduction of a scheme to certify private sector players in the fertilizer market to ensure the supply of high quality and environmentally friendly fertilizer; and the establishment of fertilizer testing facilities across the country for quality control of fertilizers.

- ***Land use planning (Prior Action #4):*** One of the objectives of the National Land Policy (NLP), which was supported under previous operations, was to encourage the sustainable use of land and natural resources; and responsible investments in the country. The NLP also resulted in the adoption of the Land Policy Implementation Framework and the National Land Policy Implementation Plan. These previously supported reforms established the legal framework for the current reform supported under this operation. One of the key pillars of these reforms has been the enforcement of sustainable land use and sustainable use of natural resources. This operation supports the Land Commission Bill and a Customary Land Rights Bill, including consultations in the East, South, North and North West regions. These reforms also fall under the umbrella of the National Protected Area Authority that manages all forest reserves in country. As previously mentioned, Sierra Leone has a high rate of deforestation, at up to 40,000 hectares of forest per year. In addition to these man-made environmental disasters, natural events like heat waves, flooding, landslides, and windstorms threaten natural ecosystems. The reforms supported under this operation emphasizes the enforcement of sustainable uses of natural resources such as forests, grazing lands, rivers and swamps. In coastal areas, it requires communities to develop and implement co-management plans to protect foreshores from unsustainable exploitation and degradation including improving and maintaining soil fertility. At the community level, the reforms require that communities adopt and enforce rules to outlaw the extraction of natural resources, such as cutting timber or mining sand, for use outside of the community. These reforms will allow the country to adapt to climate risks by enforcing sustainable land-use measures and sustainable use of natural resources. In the long run, these reforms could contribute to an increase in carbon stocks by enforcing the reduction of deforestation.
- ***Fisheries (Prior Action #5)***: The productivity of the fisheries sector is highly vulnerable to climate change impacts due to reduced water quality and increasing temperatures. Rising temperatures alter nutrient dynamics and water quality in inland fish farms and the Atlantic Ocean; and force fish stocks to migrate toward colder waters away from equatorial latitudes, contributing to a reduction in fish sizes.[32] Hundreds of millions of livelihoods rely on the fisheries and aquaculture sectors, with 97 percent of those that are directly dependent on fisheries and aquaculture occurring in developing

[32] USAID (2016) Climate Change Risk Profile, Sierra Leone. Climate Links. Washington, D.C.

countries worldwide.[33] Competition over fishery resources from industrial vessels and illegal, unreported and unregulated fishing practices, including at the level of artisanal fishing, threaten the sustainability of the fish stock. Current levels of fishing efforts of both industrial and artisanal sectors are too high relative to the optimal sustainable level, as reflected in the decline of the catch per unit of effort (CPUE) in both the industrial and artisanal sector. The high climate vulnerability of the sector coupled with weak governance presents a serious threat to the future of the sector. Through the Minister of Fisheries and Marine Resources the government has prepared and presented to Parliament the Fisheries and Aquaculture Regulations and adopted the National Plan of Action to prevent, deter and eliminate Illegal, unreported and unregulated fishing. Through this prior action, the operation aims to reduce the number of active industrial vessels from 111 in 2015 to 60 by 2021; and support the sustainable management of fisheries resources through non-destructive fishing techniques to maintain resilience of marine ecosystems thereby aligning with national climate change commitments in the fisheries sector.[34] This operation builds on previous operations that encouraged the "closed season" in the country whereby the sector stops fishing to allow the fish stock to regenerate. This reform introduces the "closed area" which establishes the boundaries of the inshore inclusion zone.

4. ***In the energy sector (Prior action #6)***. This reform addresses the management and governance challenges of the Electricity Distribution and Supply Authority (EDSA) through the adoption of a new organizational structure. It continues the EDSA's strategic plan which was supported under previous operations and which aims to improve the technical efficiency and the financial situation in the sector. It also prioritizes the introduction of renewable energy sources into the energy mix. Part of the strategic plan include new investments in solar PV (2 megawatts from the AbuDabi Fund); and future investments through IFC and the World Bank to increase this to 30 megawatts in the next 3 years. Sierra Leone has one of the lowest electricity access rates in the World, about 16 percent, with 90 percent of the 192,000 customers located in the urban parts of Freetown. As a result, many businesses and households run high-cost private diesel generators, that in the long-run are unsustainable. The energy sector is exposed to multiple impacts of climate variability, which can affect both supply (e.g., by disrupting generation and distribution) and demand (e.g., by altering power needs). Rising temperatures will increase demand for cooling (i.e., air conditioning and refrigeration), and the impact of heat on electricity demand can be estimated by the number of days above 18°C, which broadly represents a comfortable living environment. Average daily temperatures in Sierra Leone are already above this threshold, and monthly temperature changes indicate likely periods of increased electricity demand. Power supply and demand are also tied to water availability: increasing or decreasing pressure on water resources can directly affect power production and indirectly affect demand for cooling. Power plants—both hydroelectric and thermal—require substantial amounts of water to operate, and inadequate water supplies can reduce their output. In addition, flooding can damage transportation lines for fuel, and both excessive heat and extreme weather events can affect power-distribution networks. In Sierra Leone, there have been only modest improvements in electricity supply over the last few years and demand for energy now exceeds the supply by more than 30 percent. This operation supports the continued implementation of EDSA's

[33] FAO (2018) The State of World Fisheries and Aquaculture
[34] Government of Sierra Leone (2015) Intended Nationally Determined Contribution

strategic plan to improve technical efficiency and the financial situation in the sector; including the introduction of renewable energy sources. The operation aims to reduce total system losses (technical and financial), to 28 percent by end-2021 from 38 percent in 2015 and increase EDSA's total revenue collection and financial sustainability. This reform aligns with Sierra Leone's Intended Nationally Determined Contribution (INDC) which presents adaptation and mitigation measures in the energy sector as key actions to address the impacts of climate change including: the promotion of energy efficiency, enhanced management and expansion of the energy mix through uptake of renewable energy sources. [35]

Annex 4.2: Environment and Poverty/Social Analysis Summary Table

Prior actions	Significant positive or negative environment effects (yes/no/to be determined)	Significant poverty, social or distributional effects positive or negative (yes/no/to be determined)
Operation Pillar 1: ***Increasing productivity in selected economic sectors***		

[35] Government of Sierra Leone (2015) Intended Nationally Determined Contribution

Prior action #1 To enhance private sector participation and access to seeds for farmers, the Recipient has (a) through its Minister of Agriculture and Forestry prepared and presented to Parliament the Seed Certification Agency Regulations and the Regulations have matured into law; and (b) established and operationalized the Seed Certification Agency, all as evidenced by (i) the certificate of maturity of [date] issued by the Clerk of Parliament; (ii) minutes dated July 25, 2019 for a board meeting of the Seed Certification Agency, and (iii) a letter dated April 2, 2020 from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing at the Seed Certification Agency. **Prior action #2** To boost local production of rice, the Recipient has through its Cabinet approved and adopted the National Rice Policy, 2020 and Implementation Strategy and Roadmap, as evidenced by (i) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (ii) letter dated April 22, 2020 from the Permanent Secretary, MAF forwarding approved copies of the National Rice Policy and the Rice Value Chain Development Strategy with said Cabinet-approved copies attached.	**Positive**: (i)the seed regulation will address these challenges by supporting increased domestic production of high-yielding, disease- and pest-resistant seed varieties tailored to local ecological conditions; and (ii) the rice policy will encourage the entry of new climate-smart technologies into the sector to allow the sector to adapt to climate change and secure high production yields.	**Positive:** Higher private sector participation in the seed market is expected to: (i) increase access to improved seeds and create conditions for growth in yield, and (ii) promote private sector development and job creation both which are expected to have significant positive impacts on poverty. (iii) boost local rice production and self-sufficiency in production thereby increasing farmers income, reducing rural poverty

Prior action #3 To promote private sector participation in fertilizer supply and enhance farmer access to fertilizer, the Recipient has (a) through the Minister of Agriculture and Forestry prepared and presented to Parliament the National Fertilizer Regulatory Agency (NaFRA) Regulations and the regulations have matured into law, and (b) established and operationalized the NaFRA, including the appointment of its governing Board, all as evidenced by (i) the certificate of maturity of March 31, 2020 issued by the Ag. Clerk of Parliament; (ii) a certificate of passage indicating Parliamentary approval of the nomination of the chairperson for the NaFRA Board, (iii) minutes dated April 28, 2020 for a meeting of the NaFRA board; and (iv) a letter dated April 2, 2020, from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing of NaFRA.members; and (iv) a letter dated April 2, 2020, from the Permanent Secretary, Ministry of Agriculture and Forestry ("MAF") confirming the staffing oft NaFRA.	**Positive**: The reform would: (i) increase and maintain the productivity of the land by reducing the "slash and burn" deforestation activities; and (ii) contribute to the reduction of non-CO2 GHG emissions in agricultural production through greater availability of environmentally sustainable alternatives.	**Positive:** Higher private sector participation in the fertilizer market is expected to: (i) promote timely and increased access to fertilizers which are necessary for yield growth, and (ii) promote private sector development and job creation, both which are expected to have significant positive impacts on poverty.
Prior action # 4 To improve land administration systems and increase access and security of tenure, especially for women and other vulnerable groups, the Recipient has through its Ministry of Lands, Housing and Country Planning, prepared advanced drafts of the Land Commission Bill and Customary Land Rights Bill (the "Bills") and conducted consultations in the East, South, North and North West regions of the Recipient's territory, fully documenting the input and recommendations of said consultations into a final report fully considered by its Cabinet, as evidenced by (i) the advanced drafts of the Land Commission Bill, 2020 and the Customary Land Rights Bill, 2020 both of date March 16, 2020, (ii) final Report on Regional Consultations dated February 12, 2020 endorsed by the Permanent Secretary, Ministry of Lands, Housing and Country Planning documenting input from consultations, and (iii) a confirmation of Cabinet decision letter dated May 6, 2020 from the Secretary to the Cabinet and Head of the Civil Service confirming that the Report on Regional Consultations was presented to the Cabinet and that the report will inform the drafting of the Bills.	**Positive:** This action supports sustainable forest management activities that contribute to increase carbon stocks and reduce the negative impact of unsustainable forest management and costal activities.	**Positive**: The implementation of the land policy is expected to provide for sufficient security and safeguards that would enable banks and other financial institutions to provide credit to farmers using land holding as collaterals. This is expected to have significant positive impacts on poverty over the medium to long term.

Prior action # 5 To strengthen governance in the fisheries sector, the Recipient has (a) through its Minister of Fisheries and Marine Resources, prepared and presented to Parliament the Fisheries and Aquaculture Regulations and the regulations have matured into law; and (b) through its Cabinet, approved and adopted the National Plan of Action to prevent, deter and eliminate Illegal, unreported and unregulated fishing ("National Plan of Action"), all as evidenced by, (i) the certificate of maturity issued by the Clerk of Parliament; (ii) cabinet minute paper dated February 19, 2020 and confirmation of Cabinet decisions letter dated April 3, 2020 issued by the Secretary to Cabinet and Head of the Civil Service; and (iii) a memorandum dated April 14, 2020 from the Deputy Minister, Ministry of Fisheries and Marine Resources copied to the Country Manager World Bank, Sierra Leone office forwarding a copy of the approved National Plan of Action.	**Positive**: The new Fisheries Regulation is expected to reduce illegal fishing, restrict entry into fishing and discourage the use of fishing methods which are not environmentally friendly such as channel fishing; use of poisons, explosives, and monofilament nets; incursion of trawlers into the Inshore Exclusive Zone. This is expected to reduce the over-exploitation of some fish stocks and treat to species such as sea turtles and marine mammals.	**Positive.** A reduction in the number of industrial trawlers and trawling hours and vessels is expected to reduce competition between industrial fishing and artisanal fishing, and lead to a reduction in the cost of artisanal fishing and an increase in landing of fish stocks. Increase in landing from artisanal fishing is expected to have positive impacts on poverty.
Prior action # 6 To strengthen the Electricity Distribution and Supply Authority's (EDSA) governance and technical efficiency, the Recipient has through the board of directors of EDSA (a) approved and adopted a new organizational structure; and (b) and appointed staff to fill senior management positions, as evidenced by (i) a Board resolution dated November 25, 2019, and (ii) appointment letter dated January 22, 2020 for a distribution and technical services director, appointment letter dated December 24, 2019 for a quality assurance and compliance manager, appointment letter dated November 18, 2019 for a head of management accounts and financial planning and appointment letters dated September 18, 2019 for a chief financial officer and a commercial services director.	**Positive**: The reform supports adaptation and mitigation measures in the energy sector as key actions to address the impacts of climate change including: the promotion of energy efficiency, enhanced management and expansion of the energy mix through uptake of renewable energy sources.	**Positive:** Reduction is electricity losses in expected to improve the financial situation of EDSA and increase its capacity to supply electricity to household and businesses. Higher electricity supplied is expected to lead to increased activities and investments in manufacturing and services and lead to lower poverty through creation of better paying jobs.

Prior action # 7 To promote equitable deployment of teachers across the country, the Recipient has through the Teaching Service Commission (TSC) established a pilot for a nationwide teacher attendance monitoring system (TAMS) and through the TSC's Board of Commissioners approved and adopted a teacher deployment protocol and incentive strategy, as evidenced by (i) signed minutes of the TSC Board of Commissioners dated January 3, 2020; (ii) signed Teacher Deployment Policy dated December 2019; and (iii) final report on the TAMS pilot dated March 1, 2020.	**Neutral**: This action is not expected to have any environmental effects.	**Positive**: Better and more transparent management of teaching and is expected to improve the learning outcome over the medium to long-term.
Operation Pillar 2: Improving transparency and accountability in selected government decision making processes		
Prior action # 8 To enable the implementation of a nationwide e-procurement system, the Recipient has through the National Public Procurement Authority prepared and presented to Parliament the Procurement Regulations and, said Procurement Regulations have matured into law, as evidenced by the certificate of maturity issued by the Clerk of Parliament.	**Neutral**: This action is not expected to have any environmental effects.	**Positive**: A more transparent public procurement system is expected to improve oversight and efficiency of public resource management, increase value for money and reduce opportunities for corruption.
Prior action #9 To enable implementation of the Anti-Corruption Commission (Asset Declaration) Regulations, 2019, the Recipient has enacted an amendment to the Anti-Corruption Act, 2008 to, as evidenced by Gazette supplement volume CXLX, no. 88 dated December 22, 2019.	**Neutral**: This action is not expected to have any environmental effects.	**Positive**: Expected to improve oversight of public resource management and reduce opportunities for corruption both of which are expected to have positive impacts on poverty over the medium to long term.