



<b>1. Project Data:</b>		<b>Date Posted :</b> 11/25/2003	
<b>PROJ ID:</b> P074642		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Economic Rehabilitation And Recovery Credit li	<b>Project Costs (US\$M)</b>	50	50
<b>Country:</b> Sierra Leone	<b>Loan/Credit (US\$M)</b>	50	50
<b>Sector(s):</b> Board: EP - Central government administration (52%), Micro- and SME finance (12%), Primary education (12%), Mining and other extractive (12%), General industry and trade sector (12%)	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b> C3586			
	<b>Board Approval (FY)</b>		02
<b>Partners involved :</b>	<b>Closing Date</b>	03/30/2003	03/30/2003
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
Building on reforms initiated under the first ERRC (FY2000), the objectives were to support selected aspects of the I-PRSP, i.e., :			
1) establish peace and ensure good governance;			
2) revive the economy by ensuring macro-economic stability and facilitating PSD;			
3) strengthen efficient and equitable use of public resources; and			
4) improve access to and quality of basic social services .			
<b>b. Components</b>			
Actions fell under four components :			
1) Security and good governance: (i) fully implement the demilitarization and demobilization program and develop a comprehensive security policy; (ii) establish a decentralized system of governance; (iii) enhance transparency in budget preparation and implementation; and (iv) monitor improvements in service delivery through surveys .			
2) Reviving the economy: (i) maintain a satisfactory macro-economic framework; (ii) promote PSD by removing obstacles to accessing credit and accelerating implementation of PE divestiture strategy; (iii) formulate and adopt a revised mining policy; and (iv) facilitate the resettlement and reintegration of displaced persons in agricultural and infrastructure rehabilitation activities.			
3) Public expenditure management: (i) generalize the adoption of a MTEF; (ii) improve financial accountability by strengthening the financial information system (FIS); and (iii) shift budget allocations from lower priority areas to social and economic sectors .			
4) Improve access to social services: (i) increase allocations for social services at the regional level; (ii) introduce universal free primary education and increase the supply of teaching materials; (iii) expand school nutrition and health programs; and (iv) expand access to clean water and sanitation .			
<b>c. Comments on Project Cost, Financing and Dates</b>			
The Credit was disbursed in two tranches, the first one upon effectiveness on 12/20/01 and the second one in December 2002.			
<b>3. Achievement of Relevant Objectives:</b>			
1) The objectives of reestablishing peace and strengthening governance were achieved : (i) peace and security were reestablished in the country with the disarmament, demobilization and reintegration (DDR) program virtually completed and the military and police restructured; (ii) local governments were strengthened and government			

functions were decentralized to local levels : chiefs were elected in vacant chiefdoms and preparation advanced for holding local government, municipal, and rural council elections in late 2003; (iii) transparency in the budget process was increased by the creation of Budgetary Oversight Committees (BOC) and by the regular production of budgetary monitoring reports; and (iv) tracking expenditures from central to regional and local levels was improved by setting up a participatory system of Public Expenditure Tracking Surveys (PETS).

2) The objective of reviving the economy was substantially achieved : (i) macroeconomic stability was maintained in 2002; (ii) new micro-finance and mining policy frameworks were adopted by the Cabinet; (iii) the Resettlement, Reconstruction and Rehabilitation (RRR) program, covering ex-combatants, refugees and internally displaced people (IDP), was being successfully implemented through re-insertion payments, training and employment programs (under another Bank-financed project, the beneficiaries were provided in addition farm inputs, extension services, etc .). However, progress under the PE divestiture strategy lagged behind because the detailed plan for a full implementation of the strategy was not prepared .

3) The objective of improving public expenditure management was achieved : (i) a MTEF, introduced in 2001, was used to prepare the 2001 and 2002 budgets and was gradually introduced to all ministries; (ii) the FIS was revised, updated, and fully documented; and (iii) allocation and utilization of funds were improved through the BOC and the PETS.

4) Improving access to social services was substantially achieved : (i) non-wage current expenditures for the social sectors were restored from zero in 2001 to their normal level in the 2002 budget in the provinces not under the control of the Government during the conflict; (ii) free primary education was extended to all grades in 2002 and the program of subsidizing books and teaching materials was extended to all parts of the country; (iii) funding was restored for school nutrition and health programs in the four provinces; and (iv) two thirds of the Ministry of Energy and Power' s 2002 budget was allocated to water supply to expand services, including in major provincial towns .

#### 4. Significant Outcomes/Impacts:

- 1) All ex-combatants were demobilized.
- 2) Real GDP grew by 6.3 percent in 2002, inflation fell by 3.1 percent, and the fiscal deficit stabilized at about 10 percent.
- 3) New mining and micro-finance policy frameworks were adopted.
- 4) Public resource management and transparency were improved through MTEFs, BOCs, PETS, and by an updated FIS.
- 5) Basic social services were largely reestablished throughout the country .

#### 5. Significant Shortcomings (including non-compliance with safeguard policies):

Progress in implementing the PE divestiture strategy was insufficient and lagging .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### 7. Lessons of Broad Applicability:

- 1) In post-conflict situations, the Bank can play a catalytic role in attracting and channelling donors' assistance .
- 2) PE restructuring and privatization are very complex and require not only commitment on the part of all stakeholders but also careful planning and sequencing, with particular attention to their legal implications; in particular, the general legal and institutional framework for PE reform is often insufficient by itself and benefits from well designed operations targeting key sectors such as the utilities .
- 3) Monitorable benchmarks and milestones should be included at the design stage in situations where redressing a post-conflict economy is part of a continuum over several similar operations : progress should be measurable .

**8. Assessment Recommended?** ● Yes ○ No

**Why?** As part of a cluster covering all ERRCS.

#### 9. Comments on Quality of ICR:

The progress reported by the ICR under each of the four components is not sufficiently supported by evidence in terms of quantitative data, e.g., comparing 2002 with 2001 or with a year prior to the conflict . This would have been facilitated if the project itself had included more clearly defined benchmarks . A more extensive discussion of the budget allocations and realizations for the social sectors and services would also have been useful (e.g., was a

targeted increase of 15 percent in the 2002 budget achieved - see Annex B page 3 of PR?).