

**PROGRAM INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

October 31, 2017
Report No.: 120959

Operation Name	PTSC Supplemental
Region	AFRICA
Country	Sierra Leone
Sector	
Operation ID	P165639
Lending Instrument	Supplemental Development Policy Grant
Borrower(s)	GOVERNMENT OF SIERRA LEONE
Implementing Agency	MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT
Date PID Prepared	October 31, 2017
Estimated Date of Appraisal	November 3 2017
Estimated Date of Board Approval	November 30, 2017
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Country and Sector Background

Since the end of the Ebola epidemic, the Government of Sierra Leone (GoSL) has initiated substantive reforms to boost productivity, restore fiscal stability, and gradually rebuild buffers. The economy grew by 6.3 percent in 2016 and is expected to stay above 5 percent in 2017 after a severe contraction of 21 percent in 2015 because of the Ebola epidemic and the collapse of the iron ore prices. Although massive inflow of external grants supported the faster economic recovery, the cumulative effects of the twin shocks weakened the Government's finance, depleted households' buffer assets, and significantly worsened the balance sheets of many businesses. On average, significant resources were used to limit the effects of the economic contraction on private consumption, yielding a gross domestic saving rate of negative 25 percent in 2015 and gross national saving of negative 16 percent. The GoSL initiated substantive reforms, focusing on agriculture, fisheries and energy, supported by the Productivity and Transparency Support Credit, to boost productivity and start rebuilding the country's buffers.

Unfortunately, a landslide of a rare magnitude hit the country's capital city on August 14, 2017, leading to significant loss of lives, productive assets and public infrastructure. Although Sierra Leone is highly vulnerable to climate and weather events such as flooding, landslide and mudslide are rare in the country, with the last recorded landslide dating back to the 1950s¹ in Charlotte Village in Freetown. Following three days of intense rainfall, the mount Sugar Loaf, the highest peak at 795 m above sea level in Regent in the Western Rural area, collapsed and caused a major landslide, mudslide, and flooding. The slip comprising a mix of clayey soil and boulders of all sizes (up to 40 cubic meters) travelled from the upper side of the mountain slope with tremendous force destroying everything in the lower area at the base of the

¹ Environmental Assessment and Evaluation of Natural Disaster Risk and Mitigation in Freetown, Ronnie A. D. Frazer-Williams
GOPA- CES Consultants & 3BMD Consulting Engineers, financed by European Union (2014).

slope. The mud and debris travelled to the opposite side of the valley down toward the main river channel which runs to Lumley beach. The reported number of dead and missing persons was 1,141 on August 14, 2017.

II. Operation Objectives

The proposed operation is in response to the landslide and flooding that occurred in Freetown, the capital city of Sierra Leone, on August 14, 2017. The natural disaster has adversely impacted economic activity and livelihood in several communities, increasing basic fiscal expenditures which have created an unanticipated financing gap. If not filled, the latter will jeopardize the reform program supported by the First Productivity and Transparency Support Credit (PTSC-I), which otherwise is proceeding on schedule and in accordance with the agreed policy agenda.

The aim of the PTSC-I is to contribute to the Government's objective of achieving sustainable and inclusive economic development through: (i) increased productivity in selected economic sectors and (ii) improved transparency and accountability in selected government decision making processes. The program covers six policy areas namely: agriculture and land, fisheries, energy, education, procurement, and anti-corruption.

III. Rationale for Bank Involvement

The GoSL, with the support of donors, has taken a series of measures in response to the disaster, but will need additional financing for the recovery efforts. In the immediate aftermath of the landslide, a national emergency was declared and the GoSL initiated its emergency response mechanism, under the leadership of the Office of National Security (ONS). Despite logistical challenges, the Government and humanitarian agencies have been actively engaged in identifying and recording casualties, providing emergency health, shelter and protection assistance, distributing food and medical supplies, and supporting affected children, including provision of psycho-social support. The GoSL also requested the World Bank's support to conduct a comprehensive Rapid Damage and Loss Assessment (RDLA²), in partnership with the United Nations. The RDLA estimated the damage and losses at US\$31.5 million and the overall recovery needs at US\$82.2 million, comprised of immediate needs (within 3 months) of about US\$15.7 million, other short term needs (within 12 months) of about US\$24.6 million and medium-term needs of about US\$41.9 million.

The proposed US\$15 million supplemental financing supports the GoSL in its response to the disaster. The landslide and flooding recovery and reconstruction needs have created an unanticipated financing gap. However, Sierra Leone has no access to international capital markets which limits the sources of funding available. After considering pledged grants from other DPs, the financing gap remains substantial. The Supplemental financing to the PTSC-I remains the most appropriate instrument for providing timely support to the GoSL in the recovery period. This operation will ensure that the reforms supported under the PTSC-I remain on track and are implemented without the risk of delays due to competing capacity or budgetary priorities arising from the post disaster recovery. Overall, the proposed supplemental financing is consistent with the provisions of OP8.60.

² The RDLA was carried out from August 24 to September 8, 2017.

IV. Tentative financing

Source:	(\$m.)	
BORROWER/RECIPIENT	0.00	
International Development Association (IDA)	10.00	
Borrower/Recipient		
IBRD		
Others (specify)		
	Total	10.00

V. Institutional and Implementation Arrangements

The government of Sierra Leone, through the Ministries, in charge of finance, agriculture, fisheries, energy, and education will be responsible for the overall execution of measures implemented under the PTSC program, while the Office of National Security (ONS) coordinates the immediate response to the landslide. Ministry in charge of Finance (MOFED) is responsible for the coordination of the program. MOFED has the requisite experience including technical skills and coordination experience for this task, some elements of which it will undertake in conjunction with BSL. Given the large number of line ministries participating, for the first time, in the implementation of development policy financing, a committee in charge of the monitoring of the program will be created with focal points in each line ministries, in the National Procurement Authority, and in the Anti-Corruption Commission. Additionally, there is a small, well-coordinated group of development partners also providing close support to the government.

VI. Risks and Risk Mitigation

The epidemiological risk is substantial. With damage to water and sanitation facilities, the population of the areas affected by the landslide and flooding are particularly vulnerable to outbreaks of pre-existing infectious diseases including malaria and diarrheal conditions such as typhoid and cholera. To mitigate the risk, the GoSL is enhancing the surveillance for acute watery diarrhea with support from the World Health Organization (WHO). A three-month preparedness and response plan is included in the Government response to the disaster. Mosquito nets, and cholera response kits, including rapid testing tools, were distributed in areas at risk, while cholera vaccination campaigns are ongoing.

Other risks remain in a context of enduring institutional, political and economic fragility. Non-negligible risks stemming from these weaknesses are mitigated by: (i) the design of the proposed operation focused on limited and feasible actions aligned with the Government's own strategy; (ii) the strength of the government's ownership and commitment demonstrated over the past series; (iii) active and continuous policy dialogue between the Bank and the government; and (iv) close collaboration with other donors with linkages to complementary provide technical and financial assistance.

VII. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

The benefits of the proposed Supplemental DPF financing are considerable for Sierra Leone. The relief that the resources provide to the already strained public finances would in effect increase the fiscal space for the authorities to better respond to the needs generated by the landslide and flooding. It will also allow for a reduction in macroeconomic risk, which has been heightened by the response to the Ebola epidemic and the collapse of iron ore prices.

In addition, the reforms supported by the PTSC series are expected to significant positive impact on poverty reduction in Sierra Leone. Agriculture and fisheries employs more than 60 percent of the country's workers and represents the most direct channel for the population to harness the benefits of the country's natural resources. Near 70 percent of the poor households have agriculture as their primary source of livelihood. Close to 95 percent of the rural household have access to land and agriculture is their main source of income. Rice, the main food crop is produced by more than 90 percent of agricultural households. Therefore, the proposed series is expected to have significant positive social and poverty reduction impact. Higher private sector participation in the seed and fertilizer markets is expected to: (i) increase access to improved inputs (seeds and fertilizers) 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. The reforms supported by this series in agriculture and fisheries could also have positive impacts on food security and the prevalence of malnutrition by increasing the provision of micronutrients, including protein, to the population and reducing the country's vulnerability to food price shocks. In addition, reduction in electricity losses is expected to improve the financial situation of EDSA and increase the utilities' 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 poverty reduction through creation of better paying jobs.

Environment Aspects

Under Operational Policy 8.60 on Development Policy Lending, the Bank is required to determine whether specific country policies supported under the operation are likely to cause significant effects on the country's environment, and, in the event of such likely effects, assess country systems for reducing any such adverse effects and enhancing such positive effects. In the event of significant gaps in the analysis, or shortcomings in the country systems, the Bank is required to identify how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

The reforms supported by the proposed PTSC, including this supplemental, are not likely to have negative effects on the environment. The limitation of the industrial fishing capacity is likely to have a positive impact on the conservation of marine resources and the sustainability of fishing activities in Sierra Leone. The proposed series support the liberalization of the fertilizer market which may have a negative effect on the environment, which will be mitigated through the Smallholder Commercialization and Agribusiness Development Project.

VIII. Contact point

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