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**SIERRA LEONE**

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

**September 17, 2009**

Poverty Reduction and Economic Management 4  
Country Department AFCW1  
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INTERNATIONAL MONETARY FUND AND  
INTERNATIONAL DEVELOPMENT ASSOCIATION

REPUBLIC OF SIERRA LEONE

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

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and the International Development Association (IDA)

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September 17, 2009

**I. Overview**

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

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

**II. Characteristics of the PRSP-II**

**A. Participatory Process**

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

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

## **B. Lessons Learned from PRSP-I**

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

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

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

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

### **C. Poverty Diagnostics**

7. **The poverty diagnostics underpinning the PRSP-II draw on the latest available survey<sup>1</sup> which supplemented the 2004 household survey.** It is estimated that the national headcount of poverty declined from 67.5 percent in 2003 to 61.6 percent in 2007.<sup>2</sup> The decrease in poverty is much larger in urban areas compared to rural areas due to post-conflict growth in the urban areas since 2003. Poverty is predominately rural and is concentrated mostly in the northern and eastern regions. In terms of gender, female-headed households appear to be somewhat worse off in terms of assets, markedly in land ownership, which they are 5 percent less likely to own.

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

### **III. Macroeconomic Policies and Financial Management**

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

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

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<sup>1</sup> Core Welfare Indicator Questionnaire (CWIQ)-2007.

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

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

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

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

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

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

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

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

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

#### IV. Sectoral Policies

##### A. Infrastructure<sup>3</sup>

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

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

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

##### B. Agriculture

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

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



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

### C. Mining

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

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



#### **D. Environmental Management**

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

#### **E. Human Development**

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

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

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

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

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

## **V. Cross-Cutting Issues**

### **A. Private Sector Development**

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

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

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

## **B. Governance and Decentralization**

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

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

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

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

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

### **C. Youth Employment**

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

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

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

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

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

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

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



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

## **VII. Conclusions and Issues for Discussion**

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

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

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

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

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

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