AFRICAN DEVELOPMENT BANK GROUP

MULTI-COUNTRY COVID-19 CRISIS RESPONSE SUPPORT PROGRAMME (GAMBIA, LIBERIA AND SIERRA LEONE)

COUNTRIES: LIBERIA, THE GAMBIA AND SIERRA LEONE

APPRAISAL REPORT

DATE: 17 JULY 2020

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CURRENCY EQUIVALENTS

As of 30/04/2020

1 UA	=	69.7200 GMD (Gambian Dalasi)
I USD	=	51.02459 GMD
1 UA	=	271.02858 LRD (Liberian Dollar)
I USD	=	198.35230 LRD
1 UA	=	13,382.91 SLL (Sierra Leone-Leone)
I USD	=	9,794.28425 SLL
1 UA	=	1.36640 USD
1 USD	=	0.73185 UA

FISCAL YEAR

1 JANUARY-31 DECEMBER (THE GAMBIA)
1 JULY-30 JUNE (LIBERIA)
1 JANUARY-31 DECEMBER (SIERRA LEONE)

WEIGHTS AND MEASURES (If relevant)

1metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
AfDB	African Development Bank
ASSL	Audit Service of Sierra Leone
BSG	Budget Support working Group
CF/CRF	Consolidated Fund/ Consolidated Revenue Fund
CFRA	Country Fiduciary Risk Assessment
COLR	Liberia Country Office
COSL	Sierra Leone Country Office
COSN	Senegal Country Office
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment
CRF	COVID-19 Response Facility
CSP	Country Strategy Paper
COVID-19	Corona Virus Disease of 2019
DFID	Department for International Development
DP	Development Partners
DPG	Development Partners' Group
ECF	Extended Credit Facility
EOC	Emergency Operation Coordination
EU	European Union
EVD	Ebola Virus Disease
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GHSI	Global Health Security
GLS	The Gambia, Liberia and Sierra Leone
HDI	Human Development Index
IHS	Integrated Household Survey
IIAG	Ibrahim Index of Governance Index
IMF	International Monetary Fund
IMS	Incidence Management System
IPC	Infection Prevention and Control
LEC	Liberia Electricity Commission
MDBS	Multi Donor Budget Support
MCCRSP	Multi-Country Covid-19 Crisis Response Support Programme
MOFEA	Ministry of Finance and Economic Affairs of The Gambia
MOFED	Ministry of Finance and Economic Development of Sierra Leone
MoFDP	Ministry of Finance and Development Planning of Liberia
MTEF	Medium Term Expenditure Framework
MTR	Mid-term Review
MSME	Micro, Small and Medium Enterprise
PAF	Performance Assessment Framework
PBA	Performance Based Allocation
PBO	Programme Based Operation
PFM	Public Financial Management
PHEOC	Public Health Emergency Operation Centre
POCs	Precautionary Observation Centres
PPE	Personnel Protective Equipment
PSI	Pre-shipment Inspection
QAERP	Quick Action Economic Response Plan
RDGW	Regional Delivery Coordination Office for West Africa
SDG	Sustainable Development Goal
TSF	Transitional Support Facility
UA	Units of Accounts
UN	United Nations
USD	United States Dollar
WB	World Bank
WHO	World Health Organisation

PROGRAMME INFORMATION

INSTRUMENT COVID-19 CRISIS RESPONSE BUDGET SUPPORT

PBO DESIGN TYPE Single operation

GRANT INFORMATION

Client's information

RECIPIENT:
Republic of The Gambia
Republic of Liberia
Republic of Sierra Leone

EXECUTING AGENCIES: Ministry of Finance and Economic Affairs (MoFEA), The Gambia; Ministry of Finance and Development Planning (MoFDP) of Liberia; Ministry of Finance (MoF), Sierra Leone

Financing Sources

Country	**Source**	**Amount (UA'mn)**	**Instrument**	**Budget Support from other DPs (UA'mn)**
The Gambia	ADF 15 TSF Pillar I	5 5	PBO/CRBS Grant PBO/CRBS Grant	IMF: 15.73 (loan) WB*: 21.96 (grant/loan) EU*: 16.47 (grant)
Liberia	ADF 15 TSF Pillar I	3.14 7.01	PBO/CRBS Grant PBO/CRBS Grant	IMF*[1]: 63.67 (loan)
Sierra Leone	ADF 15 TSF Pillar I	9 9	PBO/CRBS Grant PBO/CRBS Grant	WB: US$ 5.49 (grant) IMF: 15.46 (loan) EU: * 18.30 (grant)
	Total	**38.15**	PBO/CRBS grant	**113.1**

*indicative

Timeframe - Main steppingstones (expected)

Programme approval	July, 2020
Effectiveness	August, 2020
Completion	September, 2021
Last date of Disbursement	December, 2021

[1] The World Bank has provided US$ 17.3 million towards the health sector in form of investment financing.

I INTRODUCTION

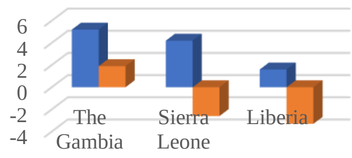
1.1 Management submits this Report and Recommendation on a proposed multi-country ADF grant totalling UA 38.15 million comprising: (i) an ADF Grant of UA 5 million and a TSF Pillar I Grant of UA 5 million to the Republic of The Gambia; (ii) an ADF Grant of UA 3.14 million and a TSF Pillar I Grant of UA 7.01 million to the Republic of Liberia ; and (iii) an ADF Grant of UA 9 million and a TSF Pillar I Grant of UA 9 million to the Republic of Sierra Leone to finance the Multi-Country COVID-19 Crisis Response Support Programme (MCCRSP) in the three countries (hereinafter referred to as GLS countries). The MCCRSP is a Crisis Response Budget Support (CRBS) under the COVID-19 Crisis Response Facility (CRF). It seeks to contribute to the response to the COVID-19 pandemic and mitigate its impact in the GLS countries. Its operational policy objectives are to: (a) strengthen Government's capacity to contain COVID-19; (b) expand social protection to vulnerable groups; and (c) contribute to the countries' economic resilience and public accountability.

1.2 The three countries have been combined into one group to ensure efficiency in processing of the CRBS to ADF-eligible countries under the Regional Delivery Coordination Office for West Africa (RDGW). The countries have similar characteristics and needs in dealing with the pandemic. Their health sectors are constrained due to human and infrastructural bottlenecks**.** They are all ADF-eligible Anglophone countries with limited fiscal space and restricted access to foreign borrowing. GLS countries are in transition with similar challenges regarding economic stability, fragility, competitiveness and growth. Liberia and Sierra Leone were severely impacted by the Ebola Virus Disease (EVD) crisis between 2014 and 2016, while The Gambia is undergoing a transition after the departure of President Yahya Jammeh in 2016. As such, use of Fragile State Facility Pillar-I resources will help the countries gain stability, resilience, and capacity to address the pandemic, meeting the needs of the most vulnerable (Sections 2.1.5 and 3.1.1).

II CONTEXT

2.1 *Economic, Governance and Social Context*

Chart 1: GDP Growth estimates Pre and Post COVID-19



2.1.1 ***Macroeconomic Impact:*** GLS countries are adversely affected by the COVID-19 pandemic due to economic shocks transmitted primarily through lower commodity prices, trade, foreign direct investment, and drops in tourism and travel. This has resulted in revision of the medium-term real GDP growth rates downwards (Chart 1). For the Gambia, GDP growth is projected to decline to 1.9% in 2020 from the initial estimate of 5.2% due to disruptions to trade, investment, remittances, agriculture, and tourism. Overall fiscal balance is set to deteriorate to -3.0% of GDP in 2020 from a -2.8% pre-COVID-19 projection. GDP growth for Liberia is expected to decline from an initial projection of 1.6 % to a range of -2.5 % and -3.3% in 2020 on the back of a drop-in exports of major commodities. The budget deficit is expected to widen to -7.9 % of GDP in 2020 from a pre-COVID-19 estimate of -6.5% as Government spends to contain the COVID-19 pandemic amidst declining revenues. Similarly, real GDP growth for Sierra Leone is projected to decline in the range of -2.2% to -3.1% from a pre-COVID forecasted growth of 4.2% in 2020. The fiscal deficit including grants will decline to -8.2% of GDP compared to -3.3% pre-COVID-19 estimate. The combined decline of remittances and the volume of private foreign exchange inflows in GLS will likely lead to a drop in international reserves, trigger further exchange rate depreciation and increased inflation.

2.1.2 ***Health sector****:* Upon declaration of first cases of COVID-19 on March 11th, 16th and 31st, 2020 in The Gambia, Liberia and Sierra Leone, respectively, the countries took urgent steps to put in place contingency plans to prevent and contain the virus. However, infection cases have been on the rise across the countries. As of June 29th, there were 45 confirmed cases in The Gambia; 768 cases in Liberia; and 1,427 cases in Sierra Leone. Sierra Leone has relative experience in epidemic surveillance and testing systems due to investments to address the EVD outbreak and allocates more public budget to the health sector[2], thus increasing its capacity to screen and test suspected cases. The high number of positive cases could be due to its ability to test. The pandemic is likely to reduce access to other health services, like maternal and child health service, thereby negatively affecting women and children[3].

2.1.3 Key health indicators in the GLS, such as maternal mortality for 100,000 live birth, remain low and range from 597 to 1,120. Health systems are characterized by: (i) inadequate financing dominated by a high burden of out-of-pocket households' payments (45.5% in Liberia and 50.4% in Sierra Leone-2017 World Development indicators) and insufficient Government investments in infrastructure and the health workforce; (ii) low Government expenditure (7 to 11% of GDP); (iii) scarcity of health workers [0.3 to 1 physician per 10,000 population and a marked shortage of nurses and midwives in Sierra Leone (2.2 per 10,000) and Liberia (5.3 per 10,000)]; (iv) inadequate laboratory capacity (at the onset of epidemic, no country in the region had capacity to test the virus, all countries now have at least one laboratory for testing; and (iv) limited isolation facilities and intensive care units (ICUs) for case management (the hospital bed capacity ranges from 4 to 11 beds per 10,000 persons). The countries, however, belong to the 19 African countries classified as "more prepared" by the Global Health Security Index, with respective scores of 34.2, 35.1 and 38.2 out of 100, which is better than the remaining 35 countries. According to the WHO, only a small proportion of the population in the three countries use handwashing facilities with soap and water, which constitutes an issue for individual protection measures against COVID-19.

2.1.4 ***Social sector:*** Poverty levels remain high as shown by low Human Development Indices (HDI): The Gambia (0.47), Liberia (0.47), and Sierra Leone (0.44) in 2019. The multidimensional poverty headcounts are: The Gambia (55.2%), Liberia (62.9%), and Sierra Leone (47.9%). The populations of the countries are young (71% below the age of 35 years with a median average age of 18.9 years). Social safety nets across the countries are both weakly structured, underfunded, cover a very small portion of the population and rely on donor funding. Liberia's spending on social protection programmes reached 1.6% of GDP in 2019. While The Gambia has a National Social Protection Policy to guide the implementation of the safety net programmes and ensure inclusive growth, funding remains low. In Sierra Leone, existing safety nets support 35,000 vulnerable households. The vulnerable are mostly affected by COVID-19 since they work in informal sectors, earn low daily wages, have no savings to spend during lockdown, lack health insurance and other schemes of social protection.

2.1.5 ***Fragility and resilience drivers***: The GLS countries still face major fragility situations. Key drivers of fragility in Liberia and Sierra Leone are due to years of conflict arising from perceived inequitable distribution of resources to vulnerable groups leading to high rates of youth unemployment, gender inequality, and high levels of perceived and real corruption. Weak human and institutional capacities are also key drivers. In The Gambia, the December 2016 transition ending 22 years of President Yahya Jammeh's rule exposed the country's generally weak political and institutional governance, its limited economic potential and its vulnerability to shocks. The countries are also undergoing rapid demographic changes, including high population growth, changing climate conditions, high migration rate, and an intense urbanization process that is internally displacing populations. However, the countries are resilient and have recovered from deep fragile situations and are now in good transition to stable low-income countries. Liberia and Sierra Leone successfully recovered from conflict and the EVD pandemic. The Gambia has also shown great resilience during the transition period to political stability. The resilient building experiences to bounce back from difficult fragile situations will be useful during the post COVID recovery process.

2.1.6 ***Gender:*** The Gambia, Liberia and Sierra Leone rank 21st, 46th, and 43rd out of 51 countries, in terms of Gender Equality in Africa. The pandemic has led to a breakdown of public services and affected women's socio-economic well-being. Most women work in the informal sector with no social protection mechanisms (76 % in The Gambia, 90.2% in Liberia and 65.8% in Sierra Leone). Most employed women

[2] In 2014, 7.3%, 10.0% and 11.1% of national budget as percentage GDP were allocated to the health sector in The Gambia, Liberia and Sierra Leone, respectively (Source: WHO)

[3] During the EVD outbreak, it was noted that demand for maternal health and malaria treatment services reduced up to 80% (Ebola areas) and 40% (nationally) leading to increased maternal, newborn and malaria related deaths among children, *The Lancet*, 15 April 2020.

are in vulnerable employment (88.7% of women compared to men 68.6% in Liberia). In Sierra Leone, men earn nearly three times as much as women in wage employment. Most of the women also depend on daily wages due to nature of their work. In the absence of social protection measures, the dual burden of income generation and domestic responsibilities fall solely on women. Women's burden of work as caregivers of sick elders put them at higher risk of contracting the infection. Gender-based violence (GBV) is also prevalent in the countries. The closure of schools and educational institutions during outbreaks tend to increase drop-out rates among girls, and due to their domestic responsibilities, their return to formal schooling may not be assured after the crisis due to child marriages. During the EVD outbreak, the rates of pregnancy for girls had increased. In the short-to-medium term, increased social protection measures are hence needed to support women from the negative effects of the pandemic.

2.1.7 ***Climate-related Health Risks and Resilience Building:*** The PBO is classified in **category 3** according to the Bank's climate safeguards System and is not vulnerable to climate change. Climate change may however aggravate the vulnerability of health systems and alter the incidence and distribution of many important health risks. A whole-of-system approach is therefore necessary in strengthening public health systems resilience to combat current and future outbreaks of emerging infectious diseases by, among others, developing integrated surveillance systems to monitor population health and climate risks.

2.1.8 ***Governance*:** Performance across various governance indicators in the GLS countries has been mixed in recent years. The Country Policy and Institutional Assessment (CPIA) Governance cluster ratings have ranged from 3.1 to 3.5 in the last three assessments mainly due to weak institutional capacities. On the 2018 Ibrahim Index of African Governance, Sierra Leone, Liberia, and The Gambia scored, respectively, 50.9, 51.6 and 54.9 out 100, marginally above the African average score of 49.9. On the 2019 Corruption Perception Index, Liberia scored 28 out of 100, Sierra Leone 33, and The Gambia 37, implying serious levels of perceived corruption in the countries. Similarly, the overall fiduciary risk based on the 2019 Country Fiduciary Risk Assessments (CFRAs) is substantial. To address these weak governance indicators, the countries are undertaking various reforms in the areas of Public Finance Management (PFM) including public procurement, financial reporting, internal controls, public oversight, anti-corruption and illicit financial transactions. To safeguard programme resources and ensure efficient utilisation of resources, measures for strengthening oversight have been put in place (Section 4.7).

III RATIONALE AND KEY DESIGN ELEMENTS

3.1 Rationale

3.1.1 ***Alignment with Bank Policies***: The CRF CRBS is aligned with ADF-15 strategic priority of building resilience to economic shocks and supporting ADF clients to better manage and recover from these when they occur: in particular, it is aligned with ADF-15 pillar II through supporting the business enabling environment, commitments on governance and on human and institutional capacity development to build resilience. The COVID-19 pandemic is threatening to erode significant gains that RMCs have registered in implementing ongoing reforms in these ADF-15 commitment areas; as well as in other key areas, such as domestic resource mobilization and debt management. Thus, the CRBS operation, by assisting protect RMC economies against COVID-19, will contribute to ensuring that RMCs persevere with continued implementation of these reforms critically important for economic resilience. It is aligned with Bank Group strategies and policies including the High 5s operational priority, "improve the quality of life of the people of Africa", Bank Strategy for Addressing Fragility and Building Resilience in Africa, and the Governance Strategic Framework and Action Plan.

3.1.2 ***Alignment with COVID-19 Strategies:*** The Programme is aligned with the countries' COVID-19 contingency plans, namely: The Gambia Emergency Health Plan; the Liberia COVID-19 National Response Plan; and the Sierra Leone Health Response Plan.

3.1.3 ***Bank's comparative advantage and added value:*** The Bank's comparative advantage derives mainly from its knowledge of the needs of Regional Member Countries (RMCs) in fragile situations and its role as a trusted partner in support to their reform agenda. The Bank has been engaged in supporting socio-economic recovery, governance and PFM through Institutional Support Projects (ISPs), PBOs, and technical assistance with a view to addressing issues of fragility and building strong institutions. The Bank's previous engagements in PFM activities in GLS countries are a particular asset in that they provide knowledge regarding what can realistically be achieved under the countries' fragile situations. The Bank supported Sierra Leone and Liberia in 2014 through PBOs, investment lending and ISP lending instruments when the West African Region experienced the EVD pandemic. In The Gambia, the Bank engaged with the country through an emergency PBO following the 2016/17 transition. A key lesson learnt from the Bank's experience is the need to have resilient health systems that can rapidly respond and effectively operate during pandemics. Investments in surveillance and laboratory testing facilities has potential to increase the rapid response and testing capacity.

3.1.4 ***Collaboration and Coordination with other partners:*** In designing the proposed operation, the Bank worked closely with other Development Partners (DPs) who have responded to the three Government's call to support the fight against the pandemic. The DPs include the World Bank, IMF, EU, UN, WHO, and other bilateral partners. The Bank consulted with them on the support being provided, the instruments used, and areas being covered to strengthen donor harmonisation and reduce duplication of efforts. The IMF is providing support to address balance of payments constraints and reduce fiscal imbalances with a view to promoting resilience and stabilising the economies of the three countries. The other DPs are using various instruments focusing mainly on the health sector and social protection. For example, the World Bank in Liberia is providing targeted ISP financing to contain COVID-19 while providing safety nets to 10,000 households. The Bank's support will thus be complementing support from the DPs, especially in the areas of safety nets and economic resilience where the needs are enormous. The other DPs have already been engaged in health and social protection; hence the Bank will closely work with them on policy reform.

3.1.5 The Bank, through the Country Offices (COLR, COSL, COSN) and RDGW, consulted with the DPs and GLS countries in existing Sector Working Groups (SWGs) such as on health, gender, and social protection. During implementation, the Bank will strengthen its harmonisation through joint supervisions, where possible, with DPs and attend relevant SWGs to reduce transaction costs. This is critical since most of the DPs (e.g. The World Bank and UNICEF) have significant safety nets and health programmes. Country Offices will play a key role in engagement with DPs and Governments and ensure that agreed measures are on course.

3.1.6 ***Meeting the Eligibility Criteria for Programme-Based Operations (PBO):*** While criteria for macroeconomic and political stability may be waived under CRBS, the the countries meet the five eligibility criteria for PBOs (Table 1; Appendixes 1 to 3). Fiduciary risk is substantial in the countries and mitigation measures through increased oversight and supervisions have been put in place (Section 4.7).

Table 1: Eligibility Criteria Assessment for The Gambia, Liberia, and Sierra Leone

Criteria	The Gambia	Liberia	Sierra Leone
Government Commitment	National Development Plan and Emergency Health Plan in place.	The Pro-Poor Agenda for Prosperity and Development and COVID-19 Plan in place.	National Development Plan and COVID-19 plan in place.
Macroeconomic Framework	Positive IMF Assessment in March 2020.	IMF Extended Credit Facility (ECF) programme on track.	IMF ECF on track.
Political Stability	Politically stable.	Politically stable.	Politically stable.
Satisfactory CFRA	Overall fiduciary risk is substantial and mitigation measures in place.	Overall fiduciary risk is substantial and mitigation measures in place.	Overall fiduciary risk is substantial and mitigation measures in place.
Harmonization	DP budget support group in place and Bank working with other DPs.	DP Budget Support Group in place and Bank working with other DPs.	Multi Donor Budget Support (MDBS) in place.

IV THE PROPOSED PROGRAMME

4.1 ***Programme Goal and Purpose*:** The Programme seeks to contribute to the rapid response to COVID-19 with a view to containing the spread of the pandemic, alleviate suffering of the vulnerable, and enhance economic resilience.

4.2 Programme Content

4.2.1 The Programme' s components are: (i) strengthening capacity to contain the COVID-19 pandemic; (ii) safeguarding livelihoods through provision of social support to the most vulnerable; and (iii) contributing to economic resilience and public accountability. The proposed operation will help to contain the spread of COVID in order to facilitate the lifting of lockdown measures and enable economic recovery process to start. Appendixes 1 to 3 provide details on country-specific programme components, context, challenges, and measures being supported while Table 2 summarises the key programme measures being supported.

<table>
<tr><th colspan="3">Table 2: Summary Programme Measures</th></tr>
<tr><th>The Gambia</th><th>Liberia</th><th>Sierra Leone</th></tr>
<tr><td colspan="3">Component 1: Strengthening capacity to contain the COVID 19 pandemic</td></tr>
<tr><td>Short Term Measures
1.Adoption of the updated Emergency Health Plan;
2.Definition of modalities for allowing truck drivers into the country;
3.Staff training in E-surveillance; and
4. Definition of the requirements for continuity</td><td>Short Term Measures
1. Approval COVID-19 Preparedness and response plan;
2. Enhancing human resource capacity (recruitment, training, deploying surge staff, and procurement of ambulances) including establishing a mechanism to call back retired health workers to strengthen the existing staff complement;
3. Support testing capacity to detect infections; ~~and~~
4.Infrastructure development (rehabilitate and upgrade National COVID-19 Triage, Isolation and treatment facilities) (Medium term)</td><td>Short Term Measures
1. Adoption and decentralization of the Covid-19 Preparedness and Response Plan for the health sector;
2. Strengthen the Government's capacity for testing, and surveillance; and
3. Support to improvements in hospital infrastructure including increasing hospital beds (Medium term)</td></tr>
<tr><td colspan="3">Component 2: safeguarding livelihoods through provision of social support to the most vulnerable</td></tr>
<tr><td>1. Provide safety nets to vulnerable groups and in-kind cash transfers to destitute during lockdowns;
2. Design and operationalize a food support package (rice, sugar, cooking oil) targeting the most vulnerable households; and
3. Establishment of a regulated price list for essential commodities to ensure that the most vulnerable are protected against price-hikes in essential goods.</td><td>1. Expansion of the cash transfer program largely targeting additional 10,000 vulnerable female-headed households and children who are food insecure. Also, re-design school feeding programs as 'pick-up and go' programs to protect the nutrition of targeted children;
2. Strengthening safety nets statistical and targeting systems (Medium term); and
3. Review agriculture related policies affecting access to food including developing food reserve guidance note (Medium term).</td><td>1. Provide safety nets to vulnerable groups and in-kind cash transfers to destitute during lockdowns; and
2 Support health workers and informal workers with cash transfers.</td></tr>
<tr><td colspan="3">Component 3: contributing to economic resilience and public accountability</td></tr>
<tr><td>1. Government to grant an extension to businesses to file their tax returns and payment of taxes by a period of three months;
2. Support in reduction of the CIF[4] value by 20% for businesses importing basic commodities, e.g. rice and oil; and
3. Government pays taxes to municipalities on behalf of Hotels affected by the pandemic.</td><td>1. Approve the current Liberia Economic Recovery Plan;
2.Suspension for six months the additional surcharge Regulation charge on imported goods;
3. Overwriting payment of electricity bills for the vulnerable through payment of arrears to Liberia Electricity Corporation; and
4 Set up a select emergency Oversight committee in Parliament to oversee COVID-19 programmes.</td><td>1. Develop Key Performance Indicators for delivery and monitoring of the Quick Action Economic Response Programme;
2. Building and maintaining an adequate stock level of essential commodities at stable prices;
3. Suspend interest payment to SMEs in the tourism sectors; and
4. Commence the National Micro-Credit Scheme (Medium term).</td></tr>
<tr><td colspan="3">Short-to-medium term: Implementation of PFM and accountability reforms in areas such as procurement, internal controls, oversight, and anti-corruption to reduce fiduciary risks and enhance developmental impact.</td></tr>
</table>

4.2.2 ***Expected results include***: Reduced Case Fatality Rate; increase in isolation beds; enhanced capacity of health facilities and health care workers for epidemic preparedness and response; increased

[4] CIF stands for "Cost, Insurance, Freight". Duty and Value Added Tax (VAT) are calculated by adding all costs together, as opposed to Free on Board (FOB) where all costs are included in the quoted price. At equal invoice rates, taxation is higher under CIF.

rate of tests and number of people tested; expansion of cash transfer and food distribution; provide support to SMEs and sectors through tax and non-tax measures; and increased public accountability in use of COVID-19 funds.

4.3 ***Programme Financing Needs:*** Table 3 presents financing requirements and expected financing gaps. The Bank's contribution will complement efforts of the GLS countries and DPs to reduce the financing gaps. Support from the other DPs will be channeled towards provision of safety nets, assist in addressing health needs (World Bank, EU, AfDB funded ECOWAS project) and for macroeconomic stabilization including balance of payment support (IMF). The Bank's support will mainly go towards safety nets and building economic resilience.

Table 3: Financing needs in 2020 Pre- and Post-COVID-19 (USD'mn)

	Description	The Gambia		Liberia		Sierra Leone	
		Pre-	**Post-**	**Pre-**	**Post-**	**Pre-**	**Post-**
A	**Total revenue, including grants**	**424.80**	**424.80**	**895.69**	**846.19**	**840.18**	**806.59**
	Of which: Tax revenue	*248.37*	*248.37*	435.74	406.99	*791.79*	*551.65*
	Of which: Grants	*176.42*	*176.42*	*459.95*	*439.20*	*124.46*	*254.94*
B	**Total expenditure and net lending**	**474.09**	**474.09**	**1,022.78**	**1,004.30**	**989.05**	**1,090.74**
	Of which: interest payments	*55.72*	*55.72*	*31.00*	*31.00*	*128.44*	*128.75*
	Of which: capital expenditure	*172.41*	*172.41*	*347.99*	*336.72*	*293.44*	*232.18*
C	**Overall balance commitment basis**	**-49.29**	**-49.29**	**-127.09**	**-158.11**	**-148.86**	**-284.15**
D	Float and Accumulation of arrears ((-) = reduction)	0.00	0.00	0.00	0.00	26.55	27.16
E	**Overall balance cash basis, incl. grants**	**-49.29**	**-49.29**	**-127.09**	**-158.11**	**-122.32**	**-256.99**
F	Net external financing, excl. budget support	4.80	4.80	0.00	0.00	52.07	50.85
G	Domestic financing (net), adjusted **1]**	0.00	0.00	0.00	0.00	96.79	59.52
H	**Financing (F + G)**	**4.80**	**4.80**	**0.00**	**0.00**	**148.86**	**110.37**
I	**Residual financing gap**	**97.66**	**0.00**	**100.87**	**102.03**	**90.42**	**0.46**
	ADF	13.66	0.00	15.03	13.87	24.60	0.13
	IMF (TBC)	21.50	0.00	*87.00*	*87.00*	21.13	0.11
	World Bank (TBC)	40.00	0.00	0.00	0.00	17.30	0.09
	EU (TBC)	22.50	0.00	0.00	0.00	27.39	0.13
J	**Residual financing gap (H + E)**	**-44.49**	**-44.49**	**-127.09**	**-158.11**	**26.55**	**-146.62**

Source: IMF Extended Credit Facility (Liberia); Rapid Credit Facility (The Gambia & Sierra Leone); and GLS economic data

4.4 ***Programme Beneficiaries:*** The direct beneficiaries of social protection programme will include: targeted vulnerable female-headed households including orphans, and school-going children. The business community especially targeted MSMEs will benefit economic resilience support. Indirect beneficiaries include the population at large who will be cushioned against the effects of the pandemic and benefit through improved macro environment, fiscal transparency, and accountability.

4.5 ***Prior Actions:*** Table 4 indicates the prior actions that the GLS countries will have to meet before the programme is submitted to the Board for consideration.

Table 4: Agreed Prior Actions for The Gambia, Liberia, and Sierra Leone

The Gambia	**Liberia**	**Sierra Leone**
1. Agreed Action: Approval of the revised National Health Emergency Plan. **Required Evidence:** Letter from the Minister of Finance and Economic Affairs transmitting to the Bank a copy of the revised National Health Emergency Plan. **2. Agreed Action:** Approval of award of contracts for the supply of key food items for distribution of food kits. **Required Evidence:** Letter from the Minister of Finance and Economic Affairs transmitting to the Bank a list of awarded contracts approved by The Gambia Public Procurement Authority for the supply of key food items and indicating: (i) awarded suppliers; (ii) unit prices for food items; (iii) share of women-led enterprises awarded contracts; and (iv) tender method. **3. Agreed Action:** Publication of a Notice on the extension of the period for businesses to file tax returns and make tax payments under the Income and Value Added Tax Act, 2012. **Required Evidence:** Letter from the Minister of Finance and Economic Affairs confirming the publication of the Notice on extension of the period for businesses to file tax returns and make tax payments by three months issued by the Commissioner General of The Gambia Revenue Authority.	**1. Agreed Action:** Overwriting payment of electricity bills targeted at vulnerable groups through payment of arrears by Government to Liberia Electricity Corporation. **Required Evidence:** Letter from the Minister of Finance submitting documentary evidence (in form of transfers or statements) confirming payment of arrears. **2. Agreed Action:** Suspension of Pre-shipment Inspections (PSI) penalty for six months. **Required Evidence:** Letter from the Minister of Finance to the Bank submitting the Government Circular suspending PSI. **3. Agreed Action:** Adoption of a current Economic Recovery Plan for Liberia **Required Evidence:** A letter from the Minister of Finance and Development Planning submitting the current	**1. Agreed Action:** Develop Key Performance Indicators for delivery and monitoring of the Quick Action Economic Response Programme. **Required Evidence:** Letter from the Minister of Finance submitting a finalised KPIs Plan. **2. Agreed Action:** Adoption and decentralization of the Covid-19 Preparedness and Response Plan. **Required Evidence:** Letter from the Minister of Finance submitting a copy of an adopted Response Plan and list of established Districts structures. **3. Agreed Action:** Initiate extension of the cash transfers scheme to include additional 35,000 vulnerable households.

4. Agreed Action: submission of supplementary appropriation request to the national assembly. **Required Evidence:** Letter of transmission of the supplementary appropriation to the national assembly.	(Government approved) version of the Economic Recovery Plan and COVID-19 Preparedness and Response Plan	**Required Evidence:** Letter from the Minister of Finance methodology on upscaling cash transfers submitting a beneficiary targeting

4.6 ***Policy Dialogue:*** The Bank, in collaboration with other DPs, will engage on immediate, **medium term and long-term policy** dialogue to ensure improved health and social sector policies and programmes, building economic resilience, and governance. The immediate dialogue will be on COVID-19 response. The medium to long-term will target: (i) **health sector**, focusing on integrated epidemic and environmental surveillance, national alert systems, and support GLS countries to revise the strategic plans, and upgrade health infrastructure; (ii) **social sector**, building statistical capacities of countries to map out, register and target the poor and vulnerable, including those in climate-impacted areas, improve social protection schemes; (iii) **macroeconomic front**, to engage with authorities on overall macro stability, notably on debt sustainability as well as budget composition to preserve social spending; (iv) **gender**, development of gender-sensitive measures and monitoring of sex-disaggregated indicators on health, education, GBV and financial inclusion in COVID-19 programming to reduce the increasing impoverishment of women headed households, women entrepreneurs and girls' dropping out of school; (v) **climate**, improving management of the environmental drivers of health, such as water and sanitation, and emergency preparedness; and (v) **Governance,** through review of COVID emergency funding and processes, PFM reform, transparency and accountability.

4.7 ***Performance measures*:** To mitigate fiduciary risks around the management of COVID-19 resources, **agreed governance related performance measures** (refer to Table 5 Risk 3 below) include: (i) The Supreme Audit Institutions in the GLS countries to **submit to the Bank annual audit reports on the consolidated fund** (CF)/ consolidated revenue fund (CRF) accounts inclusive of COVID-19 funds, when the reports are made public; (ii) The SAIs will be required to **undertake a flow of funds audit to confirm, inter alia, the timing, accurate conversion of the funds** (from US Dollars into local currency), and transferred into the CF/ CRF. The audit will be conducted in accordance with audit Terms of Reference (TORs) approved by the Bank. The audit reports on the flow of funds audit will be submitted to the Bank within six months after the end of the financial year during which the disbursement occurred. (iii) The SAIs, in collaboration with the respective national procurement regulatory bodies, will **carry out procurement audit focusing on COVID-19 related funding**. Upon request from any SAI, the Bank will seek to provide technical assistance to facilitate the audit. The procurement audit will be conducted in accordance with Bank-reviewed TORs and the report will be shared with the Bank within nine (9) months of the operation's closing date.

4.8 ***Impact on Gender, Poor and Vulnerable Groups*:** The programme is classified in **category 2**, according to the Gender Marker System (GMS). It will promote a transformative gender approach based on the inclusion of women in social protection activities, financial support measures for businesses, prevention and management of suspect cases.

V –IMPLEMENTATION AND LEGAL DOCUMENTS

5.1 ***Programme Implementation:*** Ministries of Finance in the three countries will have an overall responsibility for the implementation of the programme in close collaboration with the Ministries of Health, Labour, Social Protection, Gender, Children and the central banks of the countries. Being PBO, no parallel structures shall be established. Instead, the Aid Coordination Units under Ministries of Finance shall coordinate the implementation and act as Secretariats for Programme Steering Committees comprising all stakeholder institutions. Each recipient Government will nominate a focal point to coordinate programme implementation. Capacity for Ministries of Finance has been assessed and found satisfactory to manage programme resources.

5.2 ***Monitoring and Evaluation (M&E)***: The Bank will use indicators in the Results Based Logical Framework (RBLF) to monitor programme performance and governance related performance measures outlined in Section 4.7. The Bank will carry out monitoring and supervision missions to review implementation progress and agree on future actions to address any identified challenges. COLR, COSL, COSN, and RDGW will play a critical role in policy dialogue with Government and regular consultations with the DPs. A Programme Completion Report will be prepared to evaluate progress against the RBLF and to draw lessons for follow-up operations. The Ministries of Finance through Aid Coordination Units will be responsible for collecting and sharing data and coordinating M&E. As part of monitoring, the Government will prepare and submit quarterly implementation progress reports for the Bank's consideration.

5.3 Financial Management, Disbursement and Procurement

5.3.1 ***Financial Management***: Respective Ministries of Finance will have overall responsibility for the administrative, financial and accounting management of the Programme resources. They shall ensure that all COVID-19 related activities under the Programme are budgeted for under their national budgets and that any subsequent revisions to the budgets are undertaken in compliance with their respective financial management rules.

5.3.2 ***Treasury Management and Disbursement***: The funds will be disbursed in a single tranche subject to the fulfilment of the conditions specified in the legal agreements. The resources will be deposited into dedicated USD denominated Special Accounts (SAs), to be opened at the Central Bank of Liberia (CBL), Bank of Sierra Leone (BSL), and Central Bank of The Gambia by the Accountant General of the respective countries, with the approval of the Ministers of Finance, as a transit into the Government of Liberia USD Operating Account (of the Consolidated Fund/ CF), Government of Sierra Leone Consolidated Revenue Fund (CRF) and Government of The Gambia Consolidated Revenue Fund (CRF). All disbursements will follow the procedures outlined in the Bank's Disbursement Handbook March 2020.

5.3.3 ***External Audit:*** The Programme funds transferred into the CF/ CRF are fungible and the expenditure cannot be distinguished from other CF/CRF expenditures, and in accordance with the Bank's Policy on PBOs the audit will follow country systems, the proceeds will be audited by the Auditor General's of The Gambia, Liberia, and Sierra Leone as part of the annual audit of each country's Government accounts. Aside the assurance from the review of the annual audit reports issued by the Auditor Generals on the CF/ CRF accounts, the Auditor Generals will be required to undertake a flow of funds audit to confirm, inter alia, the timing, accurate conversion of the funds (from US Dollars into local currency), and transferred into the CF/ CRF. The audit will be conducted in accordance with audit TORs approved by the Bank. The audit reports on the flow of funds audit will be submitted to the Bank within six (6) months after the end of the financial year during which the disbursement occurred.

5.3.4 ***Procurement management:*** Public procurement systems in the GLS countries are underpinned by their respective Public Procurement Acts. Based on the 2019 CFRA reviews by the Bank, the overall procurement system risks in The Gambia and Liberia are deemed substantial, while moderate for Sierra Leone The on-going public procurement reforms including human capacity strengthening in the three countries are reducing the risks. Despite this, it has been agreed with the respective SAIs that, in collaboration with the respective national procurement regulatory bodies, specific procurement audits of COVID-19 pandemic-related activities under the Programme should be carried out in accordance with the Recipient's Procurement System. The reports will be shared with the Bank no later than nine (9) months after programme closure.

5.4 Legal Documentation

5.4.1 The financing instruments for the programme are ADF and TSF Pillar I Grants provided under the Bank Group's COVID-19 Rapid Response Facility approved by the Board of Directors of the Bank and the Fund on 8th April 2020.

5.4.2 The legal instruments to govern the programme will be:

(a) a Protocol of Agreement between the African Development Fund and the Republic of Liberia for an ADF Grant equivalent to of UA 3.14 million;

(b) a Protocol of Agreement between the African Development Bank and the African Development Fund (collectively referred to as the "Fund"), as administrators of the Transition Support Facility (the "TSF") and the Republic of Liberia for a TSF Pillar I Grant equivalent to UA 7.01 million;

(c) a Protocol of Agreement between the African Development Fund and the Republic of Sierra Leone for an ADF Grant equivalent to UA 9 million;
(d) a Protocol of Agreement between the African Development Bank and the African Development Fund (collectively referred to as the "Fund"), as administrators of the Transition Support Facility (the "TSF") and the Republic of Sierra Leone for a TSF Pillar I Grant equivalent to UA 9 million;
(e) a Protocol of Agreement between the African Development Fund and the Republic of The Gambia for an ADF Grant equivalent to UA 5 million; and
(f) a Protocol of Agreement between the African Development Bank and the African Development Fund (collectively referred to as the "Fund") , as administrators of the Transition Support Facility (the "TSF") and the Republic of The Gambia for a TSF Pillar I Grant equivalent to UA 5 million (hereinafter jointly referred to as the " Agreements").

5.4.3 ***Conditions associated with the Bank Group intervention***
(a) **Conditions precedent to Entry into force:** The Agreements shall enter into force upon signature by the parties.
(b) ***Prior Actions:*** Before the proposed operation is presented to the Board, the Recipients shall provide evidence satisfactory in form and substance to the Fund that the prior actions outlined in Section 4.5 of this proposal have been fulfilled.

5.5 Conditions precedent to disbursement of the funds: Disbursement of the grants in a single tranche, for each country, shall be conditional upon the entry into force of the respective country Agreements, and the transmission to the Fund of the details of foreign currency accounts opened with the Central Banks of The Gambia, Liberia and Sierra Leone for the purpose of receiving the proceeds of the Grant.

5.6 Compliance with Bank Group Policies

5.6.1 The programme complies with all applicable Bank Group policies and guidelines including COVID-19 Rapid Response Facility (CRF), subject to paragraph 5.6.2 below. The Gambia's and Sierra Leone's programmes are however prepared in the absence of CSPs. While progress was made in the preparation of the Country Diagnostic Notes, the completion of the new CSPs has faced operational constraints and are due for approval in September 2020.

5.6.2 The Gambia's 2017-19 CSP has expired (completion report is due for approval in September 2020) and the new 2020-24 CSP is yet to be approved. Sierra Leone's 2013-19 CSP also expired (completion report was approved on 25th February 2020) and the new 2020-24 CSP is yet to be approved. Under Section 6.1 of the Bank Group Policy on PBOs, *"CSPs will provide the basis and strategic context for the use of a PBO in a RMC. As the primary planning document for the Bank Group's operations, CSPs will provide the required justifications for PBOs and also articulate their relevance the Bank Group's lending (or grant) program in the particular RMC".* In the absence of CSPs, a waiver is thus requested on the prerequisite for existence of a valid CSP under Section 6.1 of the Bank Group Policy on PBOs to allow The Gambia and Sierra Leone to benefit from the funding under the program.

5.7 ***Environmental and Social Safeguard*****:** The PBO has been categorized as **category 3** in line with applicable policy provisions for emergency relief interventions. It is expected that the interventions within the programme will be limited and can be managed with continued public education and mitigation measures. The main risks identified are associated community transmission pathways, exposure of health workers and the management of medical wastes. The Bank will thus ensure that the countries manage the biomedical wastes in accordance with relevant national legislation, good international practices recommended by WHO or any technically and financially feasible and efficient practice for each country. Any other E&S aspect which may appear during the implementation will be managed in accordance with national legislation and the requirements of the Bank's Integrated Safeguard System. An E&S report will be prepared and shared with the Bank at the completion of the Programme.

5.8 ***Risks Management:*** The risks and mitigation measures are presented in table 5 below**.**

Table 5: Risks and Mitigation Measures
Risk 1: Macroeconomic risk arising from slippages in reform implementation. **Mitigation**: To be mitigated through continued engagement with governments through policy dialogue to encourage implementation of economic reforms and being on tract on IMF supported programmes
Risk 2: Institutional capacity risks especially in terms of data. **Mitigation:** The Bank will continuously engage with Governments to collect and compile data, and report on project milestones. Bank and other DPs to provide institutional and technical support to strengthen sectoral statistics.
Risk 3: Fiduciary risk, including corruption. **Mitigation**: The risk will be mitigated at two levels (a) through flow of funds audit, external audit of the consolidated funds and Procurement audit focused on covid-19 activities by the SAIs in collaboration with the National Procurement Authorities of SL, LR and GM elaborated under 4.6.2 above. (b) the Bank will continue to dialogue and collaborate with Government authorities and other DPs in the respective countries on PFM reforms aimed at strengthening the capacities of oversight and anti-corruption institutions, thereby tightening the PFM environment and improve transparency and accountability in these countries.

VI – RECOMMENDATION

6.1 It is recommended that the Board of Directors: (a) approve an African Development Fund grant not exceeding UA 38.15 million comprising ADF-15 and TSF Pillar-1 grants as follows: (i) an ADF Grant of UA 3.14 million and a TSF Pillar I Grant of UA 7.01 million to the Republic of Liberia (ii) an ADF Grant of UA 5 million and a TSF Pillar I Grant of UA 5 million to the Republic of The Gambia and (iii) an ADF Grant of UA 9 million and a TSF Pillar I Grant of UA 9 million to the Republic of Sierra Leone for the purposes and subject to the conditions stipulated in this report; and (b) waive the provisions of Section 6.1 of the Bank Group Policy on Programme-Based Operations to permit the Republic of The Gambia and the Republic of Sierra Leone to benefit from the financing provided under the Programme in the absence of valid CSPs.

APPENDIXES

APPENDIX 1: THE GAMBIA COUNTRY NOTE

ECONOMIC, SOCIAL AND GOVERNANCE CONTEXT

1. **Macroeconomic context:** Over the past two years, The Gambia has made progress to address deep-rooted macroeconomic and governance vulnerabilities exacerbated by the recent political transition. The risky transition following Y. Jammeh's departure at the end of 2016, led to a drop-in tourism (a key growth driver) and worsened macroeconomic fundamentals already undermined by policy inconsistencies and unfavorable weather conditions. Despite these socio-political challenges the government was able to stabilize key macroeconomic indicators. The Gambia rebounded with strong growth (6.6% in 2018), witnessed a reduction in its budget deficit from 8.1% in 2015 to 4.1% of GDP in 2019 and made solid progress towards exiting from external debt distress[5].

2. Projected growth of 5.2% in 2020 will be severely constrained due to the impact of the COVID-19 pandemic on the economy. Against this background, revised GDP growth is projected at 1.9%[6] from an initial estimate of 5.2% due to disruptions in trade, investment, remittances, construction, agriculture, fisheries, tourism and entertainment industries. Inflation is expected to rise above 7.2% compared to 4.8% previously planned due to disruptions in global and regional food supply chains, leading to interruptions in food imports and shortages of key food items. Prolonged border closures could create scarcity and drive up prices of goods as domestic supply falls short of rising demand. Revenue shortfalls and increased expenditure to fight the pandemic could deteriorate fiscal balance to -3.6% of GDP in 2020 from the projected -2.8%. Concurrently, the current account balance is projected to deteriorate from -10.3% of GDP in 2019 to -12% of GDP in 2020 due to the decline in key exports, remittances and foreign investments. Decline in foreign exchange inflows will potentially lead to a decline in international reserves cover, trigger further exchange rate depreciation and build-up inflationary pressures.

Table 1: **Macroeconomic Trends and Prospects (2018-2021)**

		Without COVID-19	With COVID-19
	2019(e)	**2020 (p)**	**2020 (p)**
Real GDP Growth (%)	5.4	5.2	1.9
Inflation (%)	5.1	4.8	7.2
Budget balance (+/-) (% GDP)	-4.1	-2.8	-3.0
Current Account Balance (% GDP) (+/)	-10.3	-10.0	-12.0

3. **Governance situation**: The underlying governance issues under the previous regime had led to generally low scores on most of the standard governance measures across the board. Under the new dispensation, some progress was however recorded: in the 2016 edition of the Mo Ibrahim Governance Index (IIAG), The Gambia was ranked 35th with a score of 46.9/100. In the 2018 edition, it jumped to the 21st place with a score of 54.9. Greatest gains were obtained in the Participation and Human Rights, and Safety and the Rule of Law categories. Interestingly, while a pre vs. post transition comparison of scores show important gains in dimensions linked to basic human and political rights, it is less the case in economic governance aspects. For instance, the public management sub-rating only improved by 0.5 points between the 2016 and 2018 reports. An underlying reason for this outcome is that progress economic governance requires more time for radical change. The aftermath of the transition meant taking stock of the situation, understanding the workings of public governance under the previous regime before planning adequate reforms. The most important governance reforms have been the comprehensive performance audit of major state own enterprises, including the development of a strategic reform action plan for SOE's reform.

[5] Considering the Gambia's performance under the 2019 IMF Staff Monitored Program, notably through its reduction in the fiscal deficit, and debt relief from key creditors, country was able to come to an agreement on an Extended Credit Facility (ECF) approved by the IMF on March 23rd, 2020.
[6] The Gambian authorities project that GDP growth will be shaved off by 3 percentage points to 3.2% from an initial 6.3% projection.

The Ministry of Finance has also issued an SOE success factor matrix to enhance implementation of these critical reforms.

4. **Health context**: The Gambia experienced late spread of novel coronavirus disease (COVID-19), and has a cumulative number of 42 infection cases as of 24 June 2020, representing a 75% increase since 22 May (24 cases). While infection rates are comparatively low, exponential spreading is possible. The spread of COVID 19 is taking place amidst high prevalence of comorbidities in the country that weaken the immune system, increasing risks to infection, severity of illness and death (e.g. malnutrition affects 21% of the population). The country's performance in health and health related matters present a mix picture: 72% of women receive 4 prenatal visits and 58,9% of the Gambians have access to improved water and sanitation, against a continental average of 48% and 33% respectively. On the other hand, maternal mortality remains high at 597 for 100,000 live births[7].

5. The health system is underfunded and relies heavily on external funding for recurrent expenditures (44%). The out-of-pocket expenses represent 24% of total health expenditure but is suspected to be higher[8] due to patients buying medicines from private pharmacies as public facilities experience frequent stockouts. According to the WHO[9], the country scores low on health infrastructure investment compared with the regional average, resulting in only 6.3 beds per 100,000 population, and the density of health cadres is low, with 0.3 physicians and 0.6 nurse and midwife per 1,000 people. In such a context, the spread of COVID-19 could reduce access to other health services, especially as epidemic outbreaks tend to reduce the demand for "routine" services. This is known to disproportionally affect women and children, as not seeking maternal health services increases the risk of maternal and newborn deaths.

6. The Gambia scores only 34.2/100 on the Global Health Security index, with issues noted in several areas including medical countermeasures and personnel deployment, communication with healthcare workers during a public health emergency, but also an excellent score of 100 against the global average of 42.3 regarding the epidemiology workforce. The country also lacks adequate laboratory capacity, with important gaps in specimen referral and transport systems and laboratory quality, and weaknesses in laboratory testing and effective modern point-of-care and laboratory-based diagnostics[10].

7. **Social context**. Poverty levels remained largely unchanged between 2010 and 2015/16, at respectively 48.4% and 48.6%, with wide spatial and gender disparities. There continues to be a marked difference in poverty headcount between rural and urban areas, with 69.5 % of the rural population considered poor, compared to a 31.6% for the urban population. With respect to the Human Development Index in 2018, The Gambia remains low at 0.460 in placing it well below the Sub-Saharan Africa average level of 0.537.

8. Against this poverty background, the combination of the health and economic impact of the epidemic is expected to have dire social repercussions across the population. In addition to low incomes, most Gambians work in the informal sector without access to health insurance, quality health care or other schemes of social protection. The authorities recently approved the National Social Protection Policy (NSPP) (2015-25) which defines the Government's social protection vision and agenda and proposes a gradual establishment of a social protection system. However, its implementation is still at an early stage, and current programs are not adequate, whether in scope or coverage. Existing interventions are project based (i.e. not systemic) and rely on donor financed noncontributory programs targeting specific vulnerable groups. On the institutional front, the

[7] WHO figure for 2017. https://www.who.int/gho/maternal_health/countries/gmb.pdf
[8] USAID assessment of the health system in The Gambia.
[9] WHO-AFRO: The State of Health in Africa, 2018.
[10] WHO: Joint External Evaluation of IHR Core Capacities, 2017.

Department of Social Welfare under the Ministry of Health and Social Welfare has overall operational responsibility, but suffers from staff shortages, capacity gaps as well as budget.

THE PROGRAMME

9. **Program Goal and Purpose**: The goal of the COVID-19 Crisis Response Support Programme operation is to support the Gambia Government's COVID-19 pandemic response and to mitigate its economic and social impacts.

10. **Programme Content:** The program consists of three broad mutually reinforcing components namely: (i) strengthening the health system for an effective response, to contain the spread of the virus and allow for re-opening social and economic activities; (ii) enhancing social protection against COVID-19 impact to mitigate the social impacts including maintaining household consumption, minimize sale of assets and reduce households becoming poor; and (iii) sstrengthening Macro-fiscal frameworks through the support of fiscal measures to ensure resilience during and after COVID-19 shocks.

Component 1: Strengthening the Health System to Contain COVID-19

11. ***Context, challenges and constraints:*** While the spread of COVID-19 infection remains contained in The Gambia, pandemic response specific challenges add on the previously mentioned health system weaknesses and put the country at risk. The country has high population density, and most critically, it is neighbouring Senegal where transmission is still on the rise (6129 cases as of 25 June). In this regard, the Ministry of Health of the Government of The Gambia reports that 80% of the cases registered in the country are imported, and that a central issue in the response is that of better controlling border entry points and more particularly truck drivers[11]. The Government is also preoccupied by the possible losses in supply and demand for non-Covid services that could result from the pandemic and would endanger the public health gains accumulated over the last decades. Another key issue regards the financial sustainability, for the Government, of quarantine measures: as of 23 June, 1,085 people had been quarantined (692 discharged and 393 still in quarantine). The government is looking for an alternative to current quarantine arrangements, possibly allowing free access to basic hotels but requesting user-payment for upgrades. Current, the GMD 500m emergency fund is being consumed fast (GMD 160 million expenditure as of 28 April) and in the face of lessened fiscal revenues due to the crisis, the government's financial margin of manoeuvre is narrow.

12. ***Government action:*** In addition to the establishment of the emergency response fund mentioned above, the government designated a National Health Emergency Committee and tasked it to develop a COVID-19 Plan of Action. A draft plan was produced in March 2020 with a short-term perspective and an updated plan is being finalised. The current plan aims at (i) strengthening coordination at the national and regional levels; (ii) intensifying active epidemiology and laboratory surveillance; (iii) prompt case detection, management and effective infection prevention and control; (iv) communicating risk and community engagement and mobilization; (v) providing psycho-social support to the affected and non-affected; and (vi) handling security and safety issues including establishing effective system for logistics management and allocation[12]. The approach is to foster national ownership and leadership and make use of existing structures and mechanisms, and in so doing, ensure sustainability. The Government is in particular exploring targeted mass testing. It is also increasing its laboratory testing capacity (from 200 to 400 per day) and its intensive care treatment capacity -notably in the regions, with support from the World Bank and UNDP.

13. ***Programme measures:*** the programme will selectively support measures that are technically central to to the country's response to COVID-19 and directly address some of the strategic challenges presented earlier, namely: (i) adoption of the updated response plan (**prior**

[11] Ministry of Health, Situation Report of 23 June (and previous editions).
[12] Ministry of Health, The Gambia Covid-19 Plan, Vol.1, Version 1, March 2020.

action); (ii) Definition of Modalities for allowing truck drivers into the country ; (iii) Staff training in E-surveillance ; and (iv) requirements for continuity of non-Covid health services are identified.

14. ***Expected results:*** By the end of the program the above-mentioned measures will have helped in strengthening the capacity of The Gambia to contain the pandemic while also establishing the foundations for a more resilient surveillance system grounded in ICT and preserving the access to non-COVID healthcare services, especially for women. At least 30,000 COVID-19 tests will have been realised (from 2,604 as of 23 June) and access to prenatal care will be maintained.

Component 2: Scaling up Social Protection Schemes

15. ***Context and challenges:*** The current crisis is expected to set-back The Gambia government's effort to reduce poverty, as it is working to improve social safety nets and social security. The pandemic is increasing the vulnerability of vulnerable households, most of whom work in the informal sector in micro, small and medium enterprises (MSMEs). These people lack health insurance, paid leave, earn low income. They also lack savings to survive during the country's lockdown and economic downturn, are unable to work remotely to avoid infection and have low access to safe water and sanitary facilities.

16. ***Government Action:*** Government has scaled up the social protection systems to safeguard lives and livelihoods and mitigate the likely adverse impact on poverty, unemployment, and fragility. Recent common social protection measures include approval of the National Social Protection Policy (NSPP) which defines the Government's social protection vision and proposes a gradual establishment of a social protection system. Government has since expanded social safety nets programs, and is distributing a bag of rice, a bag of sugar and 10 liters of cooking oil to each household considered vulnerable. 40% of the distributed items was procured by women led SME's.

17. ***Programme measures****:* Against this background a measure supported by the operation will be the (i) procurement and distribution of a food support package (rice, sugar, cooking oil) worth D734 million targeting the most vulnerable households in both rural and urban communities. The roll-out of this programme will be based on the vulnerabilities assessment done in the context of the 2013 Integrated House Survey (IHS) adjusted by a recent survey conducted by the National Assembly members in collaboration with local government authorities and National Disaster Management Agency. In addition, to ensure that the most vulnerable are protected against price-hikes in essential goods, the operation will support the (ii) establishment of a temporary regulated price list for essential commodities. A market-based price system for these commodities will be returned to immediately, after the crises[13].

18. ***Expected results:*** As a result of the intervention it is expected that the number of households benefiting from emergency social protection programmes will be 201,600 vulnerable households of which 84% live in rural communities and 25% are women headed households.

Component 3: Strengthened Macro-Fiscal Stability through the Protection of Strategic Sectors

19. ***Context and challenges****:* Challenges encountered by Thomas Cook Co Ltd in September 2019 showed how dependent the Gambian economy is on the tourism sector. Initial estimates then, indicated that a potential collapse of the largest tourist agent could have led to a GDP decline of 1.5% in 2019. Given the scale of the pandemic, one can imagine the exacerbated impact on tourism when the whole airline industry grounded. Authorities estimate that the impact of the pandemic on the tourism industry and for small business will be immediate and long lasting. Preliminary

[13] Economic theory suggests that such a prolonged regulatory cap could lead to shortages. A first best option would have been to use targeted subsidies. However, (i) regulation is neutral from a budgetary perspective (a key point considering the state of public finances), and (ii) the temporary nature of this measure should not entail negative impacts. The Bank has engaged in a dialogue with authorities on such considerations and is weighing in for the temporary nature of the measure.

estimates indicate that tourist arrivals will decline at least by 28% relative to the 2020 projected figures in the best-case scenario. This conservative estimate will lead to forgone revenues of USD 52 million from the hospitality industry (2.7% of GDP). Under the worst-case scenario should the pandemic extend to the rest of year, the impact will be two-pronged: first through a far more negative incidence on the revenue profile for 2020 and increase the fiscal deficit. Second, through lost economic activity affecting jobs and livelihoods due to downturns in the tourism sector which is a growth driver and supports several MSMEs.

20. **Government Action:** The tourism sector is currently at a standstill and a recent COVID-19 economic impact assessment indicates that 2,358 entrepreneurs will be affected and a total of 7,289 employees in the (formal) Tourism sector will be adversely impacted. The authorities have responded through tax and non-tax packages such as tax deferrals, waivers and exemptions. Other response measures include the reduction of importation charges and payment of tourism related taxes to municipalities. Government will take care of the wages and salaries of workers in the tourism sector for a period of three months (April-June) through Social Security and pay tourist board fees on behalf of hotels.

21. ***Programme measures****:* While loss of revenue due the state will be large, the impact of collapsing businesses and jobs losses will be more dire for household livelihoods. In order to mitigate this impact, the operation will support (i) *GRA to grant an extension to businesses for the filing of their returns and payment of taxes by a period of three months.* The deferral of payment will provide some breathing space for companies to recover loses they might have incurred and protect jobs in the crises period. Additionally, the program will support (ii) *GRA to reduce the CIF*[14] *value by 20% for businesses importing basic commodities such as rice, sugar and oil.* While the program will cushion the financial gap created by the measure, the effects will also benefit SME's importing critical food items needed for an expanded social protection program targeting vulnerable households.

22. On the back of forgone revenues, authorities will be forced to make hard choices on expenditure cuts while protecting and expanding social investments to fight the pandemic. To ensure the standard of social services delivered is maintained, and to further cushion the impact on the hospitality industry, the program will ensure that (iii) *Government pays taxes to municipalities on behalf of Hotels affected by the pandemic*. This measure is intended to not only protect businesses and jobs in the tourist industry, but also that municipalities and local governments deliver services during the crises period. Lastly, to ensure that the overall budget takes into account all health, social and economic measures, the Bank will support the (iv) *preparation of a supplementary appropriation to the 2020 budget*. This appropriation should include funding for Humanitarian Assistance across the country, food assistance (rice) to the most vulnerable, post-Covid Recovery Plan for The Tourism Industry and the procurement of Medical equipment and supplies.

23. **Expected Results:** Through the intervention, it is expected that at least 200 businesses (of which women's business) are positively affected by tax relief measures, and over 3000 jobs will be protected in the tourist industry. The Gambia Tourist Board and 546 municipalities will benefit from payments by the government as a result of this operation.

[14] CIF stands for "Cost, Insurance, Freight", and is a pricing term whereby the cost of goods, insurance, and freight are included in the quoted price. Duty and VAT are calculated by adding all costs together, as opposed to Free on Board (FOB) where all costs are included in the quoted price. At equal invoice rates, taxation is higher under CIF .

FINANCING NEEDS

24. Authorities are working based on a supplementary budget appropriation to the initial 2020 budget. As such, any donor funding over and above the initial financing for the budget is to be used for the COVID-19 response (including filling in shortfalls in revenues due to lower economic activity). However, it is expected that the fiscal gap arising from shrinking revenues is estimated at USD 54 million. In addition, the approved budget for the Health sector for 2020 is about USD 29.6 million though the authorities now estimate the need for additional USD 39 million for current financial budget for the COVID-19 pandemic in 2020. In response, the World Bank approved on 2 April 2020, a USD 10 million grant to support the COVID-19 contingency response plan and a budget support of USD 30m. On March 5, 2020, the IMF approved a financial envelope of USD 47.1 million for a 39-months Extended Credit Facility, including a six-month moratorium on debt payments (interest and principal) effective from 1st May 2020. Together with the Bank, the financing gap is expected to be closed with supports from the European Union through budget support to be determined.

Table 2 : Financing gap	**2020**	
	GMD'000	**% of GDP**
Total revenue and grants	24 472 612	25%
Of which: grants (excl. budget support)	*8 136 034*	8%
Total expenditure and net lending	28 336 947	29%
Of which: interest payments	*2 948 412*	3%
Of which: capital expenditure	*2 682 045*	3%
Overall balance (cash basis)	**- 3 864 335**	-4%
Accumulation of arrears	300 000	0,3%
Overall balance (commitment basis)	**- 4 164 335**	-4,2%
External financing (net – minus Bank)	2 083 136	2,1%
Domestic financing (net)	2 266 626	2,3%
Financing		0,0%
Financing gap, financed by:		0,0%
IMF		0,0%
AfDB	*358 540*	0,4%
EU	*1 260 000*	1,3%
WB	*1 536 600*	1,6%
Others		0,0%
Residual financing gap	**0**	0,0%

Source: MoFEA

POLICY DIALOGUE

25. Policy dialogue is ongoing and has been conducted with the authorities on several issues, and this operation will set the basis for continued engagement. All dialogue topics are supported by analysis provided by RDTS to ensure that a fragility lens is applied. (i) On the health front, dialogue should focus on ramping up testing capacity and **strengthening health systems ability to respond to medical emergencies**. (ii) With regards to the social sector, the Bank will see the extent to which its statistics department can be involved in helping **improve household targeting**, in line with the aspirations of the NSPP. (iii) The Bank will also pick up and continue the dialogue initiated in 2019 on **local economic development and local service delivery** by ECGF and PICU. Capacity for Gambia municipalities to deliver on services for which they have competencies, including health, should be a priority. The Bank will also continue to lead dialogue on structural reforms om the performance of SOE's. (iv) **Dialogue on gender** will be pursued as the Bank is already engaged through technical support to Women's bureau. More specifically related to the operation, recommendation for the Government for gender sensitive interventions for this category 2 project, according to Bank's Gender Marker System, are being made (technical annex 5). (v) Lastly, dialogue will also focus on **transparency matters**, especially with regards to COVID-19 related funds. A special audit of the Fund will be conducted in 2021. In addition, the Bank saw that the Accountant General issued a letter to the Spending Entities of the recently approved Government of The Gambia GDM 500 million, reminding them of the accountabilities despite it being a crisis funding. A covid-19 fund account has been opened at the Central Bank to be managed by the Controller and Accountant General's (CAG) Department under the Ministry of Finance and Economic Affairs (MOFEA). On the technical operation aspect, a committee had been duly constituted consisting of the Ministry of Health, Gambia Procurement Authority, Directorate of Internal Audit, to run the technical operation of the fund.

BENEFICIARIES

26. The programme will benefit the entire population of The Gambia. Specifically, it will benefit health workers, the private sector (including SMEs), municipalities and local governments,

marginalised and vulnerable people (orphans, the elderly, persons with disability) who will benefit from the extended social protection coverage and new categories of poor people that will become vulnerable due to COVID-19 Pandemic.

RESULTS FRAMEWORK

A			PROJECT INFORMATION		
PROJECT NAME AND SAP CODE: Multi-Country COVID-19 Crisis Response Support Programme (MCCRSP); SAP CODE: P-Z1-K00-104					
COUNTRY/REGION: The Gambia/RDGW					
PROJECT GOAL/HIGHER-LEVEL OBJECTIVE: To support The Gambia's efforts to mitigate the health, social and economic impact of the COVID 19 pandemic.					
PROJECT ALIGNED WITH:	a) The Gambia's COVID-19 Emergency Preparedness Action Plan b) AfDB's CRF framework, 2012 PBO policy				
§ Alignment indicators: (i) unemployment rate xx (2019), (ii) GNI per capita of USD xx (2018); (iii) COVID-19 case mortality rate 2.4% (June2020)2020)					
B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	**UNIT**	**BASELINE**	**TARGET AT COMPLETION**	**MoV**	**REPORTING FREQUENCY**
OUTCOME 1: Enhanced capacity for treatment and care of COVID-19 patients					
Indicator 1: People tested	Number	2,604 (23 June 2020)	At least 30,000	MoH	3 months
Indicator 2: Delivery of non-COVID health services is maintained	Number of ante-natal visits per pregnant woman	4	4	MoH-WHO	Annually
OUTCOME 2: Increased beneficiaries on safety net schemes					
Indicator 3: Households benefiting from emergency social protection programmes (including women)	Number of households (women headed households)	0	200 000 (50 000)		Quarterly
OUTCOME 3: Improved Marco-fiscal situation and restored business confidence					
Indicator 4: SMEs protected	Number	0	1000	MoFEA	Quarterly
OUTPUT 1: Approval of backbone emergency health set-ups					
Indicator 1.1: New Response Plan approved **(Prior Action)**	yes/ no	no	yes	MoH	One off
Indicator 1.2 : Modalities for allowing truck drivers into the country defined	yes/ no	no	yes	Letter from the Minister of Health	One off
Indicator 1.3: Staff trained in E-surveillance rolled out	Number	35	500	MOH reports	One off
Indicator 1.4: requirements for continuity of non-Covid health services are identified.	yes/no	no	yes	Recommendations of the working group	
OUTPUT 2: Social protection schemes set-up					
Indicator 2.1: Operationalization of a food support package	Dalasi	0	D 734 million	IFMIS reports	Quarterly
Indicator 2.2: Establishment/ publication of a regulated price list for essential commodities	yes/no	no	yes	Office of the President	One off
OUTPUT 3: Government's tax relief scheme for domestic businesses established					
Indicator 3.1: Reduction in CIF values for imports	%	No reduction	20% reduction	GRA	Quarterly
Indicator 3.2. Quantum of Government's tax payments made to Municipalities and local governments on behalf of local businesses.	Dalasi (million)	0	19.4	MoFEA (IFMIS reports)	Monthly
Indicator 3.3: Extension period for businesses to file their tax returns and make tax payments.	Months	0	3	GRA	Quarterly
Indicator 3.4: Preparation and submission of supplementary budget appropriation to Parliament	yes/ no	No (no appropriation)	Yes (appropriation submitted)	MoFEA	Yearly
OUTPUT 4: Audits of COVID related funds undertaken					
Indicator 4.1: Timely production of independent financial and procurement audits for COVID-19 expenditure.	yes/no	no	yes	SAI reports	Yearly

ELIGIBILITY CRITERIA

Criterion	Comments on current situation
Government Commitment	The Government is committed to increased health expenditures and have developed a national preparedness and response plan through The Ministry of Health which seeks to effectively manage and contain the Covid-19 outbreak in the country. The cost of the plan is US$ 8.8 million. It will enable the Ministry to strengthen coordination of the overall preparedness activities and strengthen the capacity of regions, priority health facilities and points of entry and border crossing to prevent, detect, investigate and control any COVID-19 outbreak. The plan will also build capacity for early diagnosis, case management, contact tracing and infection prevention and control. The plan will ensure preparedness for enhanced laboratory capacity for timely and quality testing of suspected COVID-19 cases. The plan also has an element that increases public awareness on COVID-19 risk mitigation and response measures. The promotion of inclusive growth is part of the key priorities of The Gambia's National Development Plan (2017-2021).
Macroeconomic Stability	The transition to political stability was a difficult one but the country emerged stronger with stronger economic growth and much stable macroeconomic environment in 2017 and 2018. The fiscal and debt situations were not sustainable at the pre transition level posed a threat for a smooth transition. Debt sustainability analysis by the IMF indicated that the risk of external debt distress has increased to unsustainable levels. As the transition began, The Gambia faced a complex debt overhang situation with a public debt at an estimated 120% of GDP (excluding contingent liabilities) in 2016 and interest payments absorbing over 50% of government revenues. This was fuelled by large budget deficits (9.5% in 2016), mostly financed through expensive domestic borrowing that crowded out private sector lending. The Gambia however made important progress at the post transition period to weather deep-rooted macroeconomic and governance vulnerabilities. In the short term, the complex and risky transition led to a drop-in tourism (which accounts for about 20% of GDP), worsening a macroeconomic situation already hit by policy inconsistencies and unfavourable weather conditions in recent years. In spite of this, the macroeconomic situation somehow stabilized with growth standing at 5.4% in 2019, a relative reduction in the budget deficit, and lastly as noted in the March 2020 IMF assessment, the set-up of a framework for The Gambia to exit from external debt distress. Key growth drivers were reliable a more power supply and increased activity in tourism and agriculture. Growth was supported by robust public investment program and macro-economic reforms that consolidated balance of payments and fiscal deficits positions
Fiduciary Risk	The 2014 PEFA assessments showed key weaknesses in PFM systems, however, other assessments indicate that the annual budget preparation process seems robust and allows for the translation of the government's policy priorities into specific programs and the delivery of services. The annual budget process is linked with MTEF budgetary framework that ensures sequencing of policy priorities over a medium-term period. Despite this progress, aggregate fiscal discipline is weakened by the high variation between actual and approved expenditure in the original budget. A Program Based Budgeting (PBB) framework to address fiscal indiscipline has been piloted at the level in various ministries. Progress remains slow but the results seem promising. A new PFM Strategy 2016-2020 has been in existence since 2016. Even though the strategy is in need of review, its content seems relevant to address PFM challenges in the current context. A PFM directorate is in place and leading on PFM reform coordination. A PFM reform steering committee meets quarterly. Within the scope of PFM Strategy, the Accountant General's Department is now a stand-alone department, with a number of qualified accounting staff, a significant number of accounting functions decentralized. A separate Internal Audit Directorate established. The Treasury Single Account (TSA) is yet to be fully implemented, however, the Treasury has a firm control on all Treasury-managed bank accounts. When the TSA is fully operational, we expect clear visibility of all government accounts held in commercial banks as well as donor project accounts. Timely consolidated financial reporting has seen some improvements contributing to public accountability. A 2018 review of the accounting and financial systems of decentralized Local Government Authorities (LGAs) highlighted weaknesses in PFM systems and processes at the local level. The is a dire need to link LGAs PFM systems with IFMIS which has been fully rolled out and is functioning well at the central government level. The 2014 Public Procurement Act (PPA) amended in 2018 had strong provisions that addressed structural issues in the procurement system. Reforms such as; The establishment of an independent complaint mechanism and the enforcement of fraud and corruption clauses in bidding documents; were undertaken and has enabled a relatively more efficient procurement system. **Extra Fiduciary measures are being put in place to expend the government's GMD 500M to fight COVID 19.** The Accountant General has issued a letter to spending entities of the recently approved GD 500million funding to fight COVID 19 on the need for heightened transparency and accountability measures to be instituted in expending the resources despite the crises period. The letter contained detailed auditing procedures and requirements. A covid-19 special fund has been opened at the Central Bank to be managed by the Controller and Accountant General's (CAG) Department under the Ministry of Finance and Economic Affairs

	(MOFEA). Operationally, a technical committee had been duly constituted consisting of the Ministry of Health, Gambia Procurement Authority, Directorate of Internal Audit, to run the technical operation of the fund.
Harmonisation	The Government's and donors' commitment (including AfDB, WB, EC and IMF) to coordinate and harmonize donor support has been formalized through the establishment of a joint budget support technical working group. Budget support and joint donor programming has strengthened donor harmonization around key policy measures and reforms. During the years 2012-2013 and in 2018, AfDB and the WB conducted joint supervision missions to take stock of progress in the implementation of reforms and measures outlined in the policy matrix. This has contributed to consensus building and lowering transaction costs for the Government. AfDB also works collaboratively with the IMF and the proposed operation is harmonized with the IMF's Staff Monitored Program
Political Stability	The political transition which began at the end of 2016 has led to a new governance environment in the Gambia. Following the historic election victory of "Coalition 2016" on 2nd December 2016 and a protracted standoff peacefully resolved through the intervention of ECOWAS, a new Government was installed in The Gambia. The country joined the league of countries in West Africa with a stable democracy. In 2017 the Bank conducted a Fragility Assessment paper jointly with the World Bank, identifying political instability, macro-fiscal challenges, limited public administration capacity, structural vulnerabilities (and exogenous shocks) as well as climate change and environmental degradation as key fragility drivers. Concurrently it delved on potential sources of resilience, which include: the Gambian diaspora (which played a role as a counterbalance to the former regime); neighboring governments and regional institutions, (notably ECOWAS through its political involvement); CSOs, women and youth activism (which played a role in the political turnaround); and lastly large-scale emigration (which relieved pressures on a tight labor market, despite having deprived the country of skilled workers)

POLICY MEASURES MATRIX

POLICY MEASURES MATRIX				
	Pillar	**Actions and Policy Measures**	**Prior Action?**	**Condition met?**
1	Strengthening health systems to contain the COVID 19	Approval of the National Preparedness and Response Plan.	Yes	Met
		Definition of Modalities for allowing truck drivers into the country	No	N/A
		Staff training in E-surveillance	No	N/A
		Requirements for continuity of non-Covid health services are identified	No	N/A
2	Scaling up social Protection Schemes	Procurement and distribution of a food support package (rice, sugar, cooking oil)	Yes	Met
		Establishment of a temporary regulated price list for essential commodities	No	N/A
3	Strengthening Macro-fiscal framework by protecting strategic sectors	Reduction in CIF values for imports	No	N/A
		Quantum of Government's tax payments made to Municipalities and local governments on behalf of local businesses.	No	N/A
		Extension period for businesses to file their tax returns and make tax payments.	Yes	Met
		Implementation of PFM and accountability reforms in areas such as procurement, internal controls, oversight, and anti-corruption to reduce fiduciary risks and enhance developmental impact.	No	N/A
		Preparation of a supplementary appropriation to the 2020 budget	Yes	Met

LETTER OF DEVELOPMENT POLICY

THE REPUBLIC OF THE GAMBIA

Ministry of Finance and Economic Affairs
The Quadrangle, Banjul, The Gambia

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MF/C/135 (MN) 19th June, 2020

Mr. Akinwumi Adesina

President of the African Development Bank

Abidjan, Ivory Coast

GOVERNMENT LETTER OF DEVELOPMENT POLICY

1) This Letter of Development Policy describes the economic and fiscal policies that the government of the Gambia is currently pursuing to return to macroeconomic stability and increase essential public services delivery to spur social safety programs. This could not be ever more important- especially in light of the current global pandemic of COVID-19.

2) Both the current and aftermath effects of the COVID-19 pandemic signal an increasing necessity for the provision of essential public service delivery to combat the adverse effects of such shocks to our economy. In the Gambia, the pandemic has exposed the vulnerabilities of our economy across all sectors ranging from economic policy management, Health, Education, Agriculture, Judiciary and Legal system as well as the services sector (tourism, trade and financial intermediation). The past three years, economic policy management has witnessed a considerable improvement that transitioned the Gambia from a

prolonged IMF Staff Monitored Program 2017-2019 to an Extended Credit Facility in March of 2020. This program will form the bedrock of undertaking necessary adjustment to reposition the economy on a solid path to macro-fiscal sustainability that ensures debt sustainability in medium to long term.

3) Whilst domestic resource mobilization continues to strengthen, efforts in fiscal consolidation have started yielding dividend with improving fiscal deficit, lower inflationary pressures, falling interest rates and increasing private sector credit has been the hallmark of recent reform output.

4) Despite the above achievements, challenges relating to structural and funding in critical sectors of the economy – agriculture, health, education, tourism, and infrastructure continues to dampen the progress needed in achieving robust and diversified growth. In dealing with these major economic and financial challenges, the government intends to pursue the following priorities: (i) macroeconomic management; (ii) public sector strengthening; (iii) promotion of sustainable and inclusive growth-private sector; and (iv) investment in human capital; (v) strengthen public procurement systems and (vi) improve governance of public project evaluation, implementation and monitoring- through the Gambia Strategic Review Board.

5) The government is strongly committed to restoring macroeconomic stability and implementing critical policy reforms to meet these objectives. However, to implement these priorities, the government will require support from development partners, to aid the implementation of the Gambia Emergency Development Policy Operation (DPO). The emergency program will be executed over the 2020/21 calendar year. The aim of the DPO, aligned with the strategic priorities of government, is to strengthen the Government's fiscal position while

restoring the provision of essential public services. In addition to funding the state budget, the program will support economic recovery in the aftermath of COVID-19.

CONTEXT

6) The Gambia is at a critical juncture with recent reforms just starting to yield results, ranging from the introduction of Treasury Single Account, Creation of Government Contract Monitoring Committee- to monitor the implementation of government contracts in order to ensure fair share of revenue accrued to government are accounted for; introduction of Gambia Strategic Review Board to review and monitor all government investment proposals. Similarly, the most important reform in recent times has been the State Owned Enterprise (SoEs) Audit. Both Phase I and II of the audit has been done. And from the first phase of the Audit, a strategic reform action plan has been drawn and issued to all of the SoEs covered in the Phase I of the audit. This action plan covers recommendations ranging from limited government interference; ensuring SoEs have complete and exclusive control of their financial resource and accounts; monitor large procurement contracts and ensure compliance with GPPA regulations; and create a clean opening balance sheet relevant to the SoEs and consistent with corporate governance and financial viability framework. To achieve these reform objectives, MoFEA has also issued to SoEs a success factor matrix to enhance the implementation of the above reforms.

7) As government began the implementation of the 2020 budget, the outbreak of COVID-19 pandemic in March 2020, refocused government policy to the protection of lives and livelihoods of the citizenry. This resulted to resource re-allocation to programs that dampen the effects of the pandemic on the

population. As a result, the government designed a food support package (rice, sugar, cooking oil) worth D860.4 million (US$17.2 million) to be distributed to the most vulnerable households in both rural and urban communities of the Gambia.

The assessment of vulnerabilities was done on the basis of the 2013 Integrated House Survey (IHS) adjusted by a recent survey conducted by the National Assembly members in collaboration with local government authorities and the National Disaster Management Agency - that reached out to all rural communities to ascertain the true impact of the COVID-19 pandemic. This exercise indicated that a total of 201,600 households displayed a high level of vulnerability. Of these, 84 percent (169,344 households) are in the rural communities and 16 percent (32,256 households) in the urban areas.

On the COVID-19 economic alleviation measures, the government is looking at Tourism, agriculture and infrastructure as critical enablers to economic growth recovery together with Micro-Small and Medium- enterprises (MSMEs) beyond COVID-19.

As a start of stimulus economic package, the Government has committed to taking over the liabilities of the Gambia Hotel industry such as Municipalities rates and Gambia Tourism Board license fees to ease the financial distress of the COVID-19 on the Tourism industry. This amounts to D19, 396, 890- of which D5, 627, 344 is for Gambia Tourism Board operational license and D13, 769, 546 is for Municipalities rates. In addition to this, a sector wide COVID-19 impact assessment has just been concluded and the report suggest that a total of 2,358 individual entrepreneurs are affected and a total of 7,289 employees in registered establishments in the Tourism sector are also adversely impacted by the pandemic.

In order to mitigate the adverse effects of COVID-19, the Gambia Revenue Authority anchored on the Income and Value Added Tax Act (IVAT) 2013, granted the extension of filing tax returns for businesses as per section 197-199 of the IVAT.

COVID-19 has put additional pressures well beyond the capacity of what our current national health system can handle. These pressures range from financial, medical equipment, adequately trained human resource as well as outreach services. As per the approved 2020 Health budget, US$29.6 million was initially approved. However, in addition to this, there is need for current financial budget for the COVID-19 pandemic in 2020 to the tune of US$41.03 million.

7) Our international development partners have been quick to re-engage and have indicated that substantial financial support could be forthcoming, necessary to cope with the acute impact of the shock and the economic mismanagement of the past. Domestically, we are committed to implementing strong fiscal measures and mitigate fiscal shocks, including maintaining fiscal discipline, drastically reducing net domestic borrowing, taking steps to put the public utility and telecom companies on a sound financial footing, protecting health services, and ensuring the sustainability of the public debt.

8) To restore and sustain macro fiscal stability achieved so far, we need emergency support from our development partners some of which have already provided support (including UN agencies, World Bank, the European Union, and

IMF). We will need close engagement with the African Development Bank staff to further support policy implementation and articulate medium-term reforms over the coming year. We also recognize the need to establish a track record of strong policy implementation.

GOVERNMENT PROGRAM

9) The implementation of the National Development Plan (PAGE II) covering 2018-2021 is progressing, albeit some challenges. The Annual progress report (APR) for 2018 of the NDP indicates a mixed progress. Satisfactory performance emanating from Tourism with 100 percent on track to achieved targets of the NDP, Private sector 60 percent on track, Infrastructure and energy 60 percent, governance and macroeconomic management 50 percent each on track to achieving the NDP target by 2021. Other sectors such as agriculture and fisheries, human capital and youth empowerment recorded 33, 45 and 25 percent respectively on track to achieving the NDP target by 2021. Whilst the APR shows a good performance rate in tourism, private sector, infrastructure and energy- these sectors also are hardest hit by the COVID-19 pandemic. The COVID-19 pandemic has displayed the vulnerabilities of economic policy environment but most importantly the implementation of National Development Plan. It reflects The Gambia's need for stronger and more diversified policies aimed at strengthening growth including: (i) National Social Safety Program; (ii) Private sector stimulus package; (iii) increase public sector capital investment; (iv) repositioning of SoEs to financial viability; (v) increase food security- through increase investment efficiency in agriculture; (vi) increase energy production to support local manufacturing; (vii) restore competiveness in trade and ease of doing business and (viii) build a resilience human capital.

RECENT ECONOMIC DEVELOPMENTS AND THE MEDIUM-TERM OUTLOOK

10) Macroeconomic developments in 2019 have been impacted by two fundamental factors- the financial collapse of Thomas Cook, UK and the prolong dry spell of rainfall. However, despite these adverse shocks, economic growth recorded a 6.2 percent in 2019, aided by sound fiscal and monetary policy. Other growth factors supporting this growth includes more reliable power supply, lower interest rates and continued strong activity in the tourism and other services sectors, supported by public investment program.

11) Overall, fiscal performance improved in 2019, reflecting strong revenue collection and better expenditure control measures. Tax revenue increased by 0.9 percent of GDP, mostly due to administrative improvements, drawing on the assessment of the Tax Administration Diagnostic Assessment Tool (TADAT) conducted in 2018, while the receipts of nearly 0.9 percent of GDP in signature bonuses from the prospecting petroleum companies helped boost non tax revenue. On the expenditure side, expenditure control and treasury cash management strengthened and, unlike in 2018, major expenditure overruns and accumulation of arrears were avoided. As a result, the overall fiscal deficit declined from 6.2 percent of GDP in 2018 to 2.6 percent of GDP in 2019. During the same period, the domestic primary surplus increased from 0.6 percent to 1.8 percent of GDP, and net domestic borrowing declined from 3.3 to 1.2 percent of GDP.

12) Monetary policy in 2019 has been supportive, enabling monetary easing and contributing to build-up of official reserves. The dalasi remained stable during the year, depreciating against the US dollar by only 3.2 percent year-on-year in nominal terms at year end. Core inflation declined to 5.6 percent,

anchored on inflation expectation and business sentiments, the Central Bank of the Gambia (CBG) reduced the policy rate from 12 percent to 10 percent in May 2020. Financial intermediation picked up further, with Banks increasingly looking for retail business as their FX buffer increased and T-bill rates softened. Credit to private sector expanded by 35.8 percent year-on-year in 2019, despite elevated average lending rates of around 21 percent. On the external sector, an increase in official transfers, and remittance inflows improved the current account balance, with deficit of 8.5 percent of GDP more than fully financed by capital and financial inflows. Overall, the the balance of payment surplus exceeded 4 percent of GDP, with gross official reserves reaching US$225 million (3.4 months of prospective imports cover at end 2019.

13) Growth for 2020 is expected to significantly declined to 0.5 percent from an initial growth outlook of 6.3 percent. This lower growth is the result of the adverse effects of COVID-19 which affects the growth drivers- tourism, trade, financial intermediation and communication and most importantly public and private project implementation. Beyond 2020, with a return to normalcy, growth is expected at 8.6 percent in 2021- on account of a rebound in travel and tourism, construction, local manufacturing and pick-up in general economic activities. With the recent improvements in governance, rule of law and policy predictability, lower interest rates and a resumption of private sector credit growth, we expect investment as well as foreign direct investment to rise strongly, in particular the tourism sector and in commercial agriculture to support growth in the medium term. Greater and reliable energy supply will support all economic activities, including the light-manufacturing sector.

FISCAL MEASURES AND DEBT MANAGEMENT

The government recognize that consolidating gains attained under the 2019 SMP in macroeconomic stability and advancing the structural agenda would enhance policy credibility and economic resilience. To this end, we have committed to: (i) expand the fiscal space for productive investment and priority social spending; (ii) maintain debt sustainability through adherence to the Medium-Term Debt Strategy (MTDS); (iii) advance monetary policy management and healthy financial inclusion; (iv) strengthen governance and financial management of SOEs for a more efficient and reliable public service delivery; and (v) improve the business environment, including by strengthening governance and combating corruption.

The fiscal position will be strengthened further to support debt sustainability while

protecting outlays on infrastructure and social needs. The medium-term fiscal program features a gradual increase in the domestic primary surplus to 2.5 percent of GDP by end-2025. This, together with the temporary reduction in external debt service payments over the period would support a reduction in the public debt-to-GDP ratio from over 81 percent in 2019 to below 55 percent in 2025. The TADAT roadmap guides the increases in domestic revenue collection, while tightened PFM, rationalization of subvented agencies, and the SOE reforms would ensure greater expenditure control and a progressive reallocation of resources from subsidies to spending on social programs and maintenance of infrastructure.

On the revenue side, measures yielding about 0.3 percent of GDP include: (i) increases in tobacco-related taxes and excises; (ii) an increase in customs processing fees by 0.5 percent to 1.5 percent and their extension to previously exempted imports. In addition, an increase in the VAT threshold should boost tax revenues over the medium term. Potential tax revenue gains not captured in the 2020 budget could come from the tightening of the tax exemption policy and a more rigorous monitoring of its use (the estimated amount of revenues foregone in 2019 on account of tax and duty exemptions exceeded 3 percent of GDP).

On the expenditure side, current expenses are projected to decline as a percentage of GDP by 0.7 points on account of lower interest payments (by 0.5 percent of GDP) and a containment of growth in other categories of expenditure. To this effect, the authorities will keep outlays on compensation of employees constant in GDP terms. The reduction in spending on goods and services largely reflects a reclassification of some of the spending previously budgeted under this category as transfers and public investment.

14) Over the medium term we will also consider streamlining subvented agencies, downsizing and rationalizing of embassies. Assessment on these exercises have already started and preliminary outcomes are expected by September 2020.

ADDRESSING SOCIAL SPENDING AND POVERTY REDUCTION

15) We continue to attach high priority to social spending and will maintain adequate poverty-reducing spending under the program. Efforts to reduce extreme poverty as expressed in the NDP and our commitment to meet the SDGs will require programs and policies geared towards the most vulnerable population accessing employment, quality health services and education. We increased poverty-reducing spending from D4.0 billion in 2018 to D5.3 billion in

2019 and plan to increase it to D5.6 billion in 2020. Similarly, the government has introduced an innovative development model- Program for Accelerated Community Development (PACD), to be implemented in collaboration with UNDP to improve access to basic social services for our rural population through the establishment of socio-economic infrastructures. A social safety net project designed to avail cash transfer to the most vulnerable has also been initiated in collaboration with the World Bank.

The execution of 2020 budget has significantly been constrained by the adverse effects of COVID-19, with an estimated revenue loss of D2.3 billion or 3 percent of GDP. Yet whilst domestic resource mobilization declines, spending requirements to fight the COVID-19 on lives and livelihoods are well beyond the means of current resources of the government and as such, the pandemic has posed serious challenges of sustaining gains achieved so far on both the economic policy management front and the provision of critical public service delivery to the neediest of the population.

It is in light of these challenges that, the government of the Gambia is requesting for the support of the Bank to the tune of US$20 million to help Gambia sustain socio-economic gains registered so far.

INSTITUTIONAL FRAMEWORK FOR IMPLEMENTATION OF THE PROGRAM

16) Successful implementation of our Response Plan hinges on national and international commitments to fund and operationalize the priorities identified. The government recognizes that the Response Plan needs strong political will and donor support to deliver results on its immediate reform agenda. This calls

for a critical leadership role and stewardship which the Ministry of Finance and Economic Affairs is ever more committed.

17) A strong institutional arrangement will enhance national ownership and leadership that would assure The Gambia's development partners of our political commitment for effective coordination and more efficient use of resources.

18) On final note whilst we continue this partnership, we wish to express our most sincere gratitude to the leadership and staff of the Bank for the support it has accorded to the government of the Gambia in the past years. And we renew our commitment towards achieving the high 5s of the Bank's Plan.

MINISTRY OF FINANCE & ECONOMIC AFFAIRS ★ OFFICE OF THE MINISTER ★

Mambury NJIE

Minister of Finance and Economic Affairs

Republic of the Gambia

APPENDIX 2: LIBERIA COUNTRY NOTE

ECONOMIC, SOCIAL AND GOVERNANCE CONTEXT

1. **Macroeconomic Environment:** Due to the COVID-19, real GDP growth is forecast to range from -2.5 % to -.3.3% in 2020 under a baseline scenario and worst-case scenarios. The recession will be driven mainly by declining exports of major commodities and a fall in the services sector including travel and tourism. The current account deficit could widen to -28.4 % in 2020 due to weak performance of the external sector amidst increased import requirements on food and other commodities. The budget deficit is expected to be within the range of -6.8% and -7.9% in 2020 as Government expenditures increase to contain the COVID-19 pandemic amidst declining revenues due to a slowdown in business activities.

Table 1: **Macroeconomic Trends and Prospects (2018-2021)**

			Without COVID-19		With COVID-19 (Baseline)		With COVID-19 (Worst-Case)	
	2018	**2019(e)**	**2020 (p)**	**2021 (p)**	**2020 (p)**	**2021 (p)**	**2020 (p)**	**2021 (p)**
Real GDP Growth (%)	1.2	0.4	1.6	1.3	-2.5	2.4	-3.3	1.3
Inflation (%)	23.5	21.7	20.5	17.4	23.9	17.8	33.3	20.6
Budget balance (+/-) (% GDP)	-5.4	-6.1	-6.5	-6.2	-6.8	-7.0	-7.9	-7.5
Current Account Balance (% GDP) (+/)	-22.4	-21.2	-20.9	-20.0	-28.4	-22.7	-30.7	-25.0

Source : AfDB, Statistics Department

2. **Governance.** The CPIA Governance cluster rating has averaged 3.5 in the last three assessments due to weak institutional capacities in the public sector. On the 2017 Ibrahim Index for African Governance (IIAG), Liberia scored 51.4 out of 100 while on the 2019 Corruption Perception Index (CPI), it scored 28 out of 100. The 2019 Bank's CFRA rated the overall fiduciary risk regarding PFM as **substantial**. To address current governance and PFM challenges, Government has since approved money laundering and terrorism financing Regulations. The Anti-Money Laundering and Combating of Terrorism Financing (AML/CFT) and the PFM (Amendment) Bills have been submitted to Parliament for enactment. Guided by the National PFM Strategy and Action Plan, 2017–2020, various PFM reforms are under implementation.

3. **COVID-19 Status**: The first case of COVID-19 was recorded on 16 March 2020 and since the number of new cases has been on the increase 311 cases (28 deaths, 157 recoveries) as of 4 June i.e. an increase of the number the cases of 33% over 2 weeks. A COVID-19 National Response Plan was developed to assist in containing the pandemic. A set of measures adopted include preventive controls, increasing isolation capacity through construction and refurbishment of a military hospital for isolation, and National COVID-19 Triage, Isolation and treatment Facility with 75-bed capacity. However, the risk of further transmission remains very high, largely due to the high population and movements in Monrovia, the Capital City in Montserrado county, home to approximately one third of the country's total population. The COVID-19 hit an already weak heath system weakened by the Ebola crisis of 2014-2016. The country has weak health indicators, e.g. the maternal mortality ratio was at 661 deaths for 100 000 live birth in 2017 and was among the 10 highest in Africa. The health system is characterised by several weaknesses such as insufficient health personnel and infrastructure[15] and underfunding. While the Government's budget prioritisation of health is commendable, with about 15% of the 2019/2020 budget (Abuja Target), this translates into a modest allocation of USD 80.3 million[16] (about USD 16 per capita). Government has limited margin of manoeuvre to operate its health system: employees compensation account for 65% of the health budget, leaving insufficient means to ensure the availability of adequate levels of other inputs necessary to deliver quality healthcare services and fight COVID-19. About 45% of total current health expenditures comes from households' out-of-pocket payments[17], making health financing highly inequitable. The population is also haunted by

[15] 60% of the population live at more than 2 hours travel from the nearest hospital.
[16] National budget of the Republic of Liberia.
[17] World Bank: World Development Indicators (2017, more recent figure available).

the EVD pandemic experience, which may also affect the health personnel with 372 health workers infected during the EVD epidemic, of whom 184 died.

4. **Social context**. Liberia is one of the least developed countries in the world ranking 176 out of 189 countries with an HDI index of 0.465 in 2019. It is estimated that 48% of the population is in extreme poverty, and a further 16% are at risk of slipping into extreme poverty.[18] 71% of its population is under 35 years and nearly half (44.5%) are below 15 years. The country's social programmes remain fragmented. While spending on social protection programmes is relatively substantial at 1.6% of GDP in 2018, the sector is highly dependent on donor financing[19]. Coverage of Social Safety Nets in 2010 reached 830,000 beneficiaries (24% of the population). Social protection programmes cover cash transfers, public works, in-kind food transfers such as school feeding and take-home rations, nutritional supplementary feedings and food distribution. However, a large proportion of them remain uncovered. An average of 129,100 children were benefiting from the school feeding program to address food insecurity among the children.

5. **Gender.** On the African Gender Index of the AfDB, the country scored 0.506 compared to a continental average of 0.484. The COVID 19 pandemic could, however, erase the progress made in bridging the gender gap and increasing the already existing inequalities between men and women. Liberian women are particularly vulnerable when the labour market slows because they depend significantly (90.2%) on the hardest hit non-agricultural labour sector, which are mostly informal enterprises without social protection mechanisms. The livelihoods of women as cross-border traders, traders and itinerant traders in the country have been affected by preventive measures such as closing borders and markets, travel restrictions between counties and foreclosure. In addition, most employed people are in vulnerable employment (88.7%) compared to men (68.6%) and, as such, they felt a strong impact from the economic slowdown. Frontline health workers, especially nurses and hospital staff, are at high risk of contracting the virus. A secondary impact of the pandemic is an increased risk of gender-based violence (GBV) due to increased household stress in the face of economic shocks, extended periods of coexistence in (small) housing and access reduced to essential protective services and support networks. The Programme is in category 2 and gender sensitive measures will be such include cash transfers, distribution of food packages and overwriting bills to vulnerable households headed by women as well as policy dialogue for the development of gender sensitive measures.

PROGRAMME

6. **Goal, purpose and components**. The Programme' s components are: (i) strengthening public health capacity to fight the COVID-19 epidemic; (ii) safeguarding livelihoods through provision of social support to the most vulnerable; and (iii) contributing to economic stabilisation and public accountability. The CRBS will help to contain the spread of COVID in order to facilitate the lifting of lockdown measures and enable economic recovery process to start.

COMPONENT 1: STRENGTHENING GOVERNMENT CAPACITY TO FIGHT COVID-19

7. **Context and challenges.** Since first confirmed COVID-19 case, the number of cases has been on the increase. The country's health system has faced challenges to contain the pandemic due weak health infrastructure for testing and a shortage of health personnel that act together to constrain the delivery of quality health services and will be increasingly exacerbated by the pandemic if it is not well contained. The sector is underfunded and depends on donor financing including for wages and salaries to health workers.

8. **Government Action :** The Government has taken key steps in controlling the propagation of the epidemic including declaring a public health emergency and approval of a State or

[18] LISGIS, *Op Cit*, 2016

[19] The Donors involved include WB with co-funding from DFID and USAID. The areas of intervention include: Cash Transfer-WB-10,000 households, DFID-2,500 households

Emergency by Parliament on 17 April 2020; issuing a declaration enforcing social distancing; all health workers are receiving monthly hazard pay; and developing a National COVID-19 Preparedness and Response Plan is in place[20].

9. Programme measures: The programme seeks to enhance Government's capacity to fight COVID-19 in a timely manner. It targets key areas for preventing, diagnosing and addressing COVID-19 infections through screening and case management, with a focus on testing and isolation and treatment capacity of COVID-19 symptomatic cases. It will support testing, isolation and treatment for those infected Given the centrality of health personnel to deliver an adequate response to COVID-19 and the health workforce shortage prevailing in the country, the programme will support the establishment of a mechanism to call back retired health workers to strengthen the existing staff complement. This is in line with a Presidential proclamation but has not yet been set in motion. Programme **expected results** will be measured by the number of people tested and the proportion of people tested cared for in accordance with approved protocols.

COMPONENT 2: EXPAND SOCIAL PROTECTION TO THE MOST VULNERABLE GROUPS

10. Context and challenges: Government has safety nets interventions which are largely donor funded and its scope is limited covering 24% of population with 48% living under extreme poverty. The COVID-19 lockdown has hence left many with limited livelihoods, most of whom are women and children. They are unable to access necessities such as food, heath care, pay their utilities bills and do their small-scale businesses. Closure of schools has increased foods insecurity among school going children. The market women and small informal traders, who acquired loans, are unable to sell their merchandise due to the "Stay-At-Home order" leading to their failure to payback and/or service their loans. Trade activities, especially within the food supply chain, have been affected thereby increasing scarcity of food and increased food prices; reduced farm gate prices hence reduced income to farmers; and disrupting agricultural input supply networks for seeds, fertilizers, agrochemicals and extension services.

11. Government Action: Government established a COVID 19 Emergency Relief Fund to mobilize financing to support the needy and vulnerable. USD 25 million was appropriated for food distribution for a period of 60 days. The cost for food distribution is estimated at US$ 40 million.

12. Programme measures : In order to cover funding shortfalls and scale up safety net (cash transfer and food distribution), the CRBS will support following measures: (i) expansion of the cash transfer for 10,00 vulnerable households, largely targeting women and children who are food insecure; (ii) support food distribution through school feeding programme for 258,200 food insecure school children to address acute food insecurity. This will include re-designing school feeding programmes as 'pick-up/grab and go' programmes to protect the nutritional status of children and their families who depend on such programmes; (iii) review agriculture related policies affecting access to food including developing food reserve guidance note (updating food reserve and storage systems and related policies and procedures); developing guidelines for social distancing in carrying out agricultural production and marketing activities; and (iv) Providing farm inputs including implements, fertilizers and seedlings to smallholder farmers. The **expected results** include increased social protection spending from 2% of approved budget in 2019 to 5% in 2021; an additional 10,000 households out of 23,000 ultra-poor by cash transfers; and (iii) The 'pic-up/grab and go' school feeding increased by 100% from 129,100 beneficiaries to 258,200.

COMPONENT 3: SUPPORT ECONOMIC STABILISATION AND PUBLIC ACCOUNTABILITY ENHANCEMENT FOR COVID-19 FUNDS.

[20] The Plan has the following pillars: Case Management; Risk Communication; Logistics and Supply Chain; EPIU, Surveillance, Coordination, and Points of Entry; Laboratory Services; Coordination, COVID-19 management and Advocacy; Community and Health Engagement.

13. **Context and challenges:** Liberia is set to experience its second recession within less than a decade, having only recently recovered from the impacts of Ebola. The COVID-19 had widened fiscal gap and lowered prospects for growth. Rising recurrent spending and re-allocated expenditure to combat COVID-19 has constrained Government's ability to finance the implementation of earmarked investment related projects. The fall in export earnings, reduced activities in mining, manufacturing and construction due to their heavy dependency on international markets, intermediate inputs from abroad and agriculture sector, will constrain the Government's fiscal space by reducing revenues while increasing public expenditures, especially health related and social spending. Reduced economic activities will affect liquidity of the private sector and lead to job losses especially in the service sector (tourism has been hit most). However, fiduciary risks being 'substantial' especially in terms of internal controls and procurement.

14. **Programme measures:** To address economic challenges, Government developed a short-term plan, *"Liberia Economic Recovery Plan (LERP)*, to stabilize the economy and resuscitate growth. To support small scale businesses hit by COVID-19, Government has approved tax and non-tax measures to support small scale businesses and informal traders, most of whom are women who live on 'hand-to-mouth' and do cross-border trade.

15. **Programme measures**: As such, the programme seeks to support interventions to cushion the affected while ensuring that resources reach them through enhanced accountability mechanisms. The measures include (i) approval of the LERP; (ii) **implementation of tax and non-tax measures including** suspension for six months the additional surcharge Regulation charge on imported goods with a view to encourage more importation of goods at reduced cost; and suspension of the Pre-shipment Inspections (PSI) penalty until otherwise notified; overwriting payment of electricity bills to targeted vulnerable people; (iii) undertaking financial and procurement audits of COVID-19 funds; and (iv) setting up a **Select Emergency Oversight Committee of Parliament to exercise oversight over all COVID-19 programmes**. The **expected results include** improved liquidity to small scale businesses; and improved transparency in use of COVID resources.

FINANCING NEEDS

16. Due to COVID-19, the budget deficit is expected to rise from -6.5% of GDP in 2020 pre-COVID-10 estimated to a range of -6.8 to -7.5% of GDP. Government has already provided US$ 25 million for social protection. Additional resources required to address COVID-19 fiscal challenges are summarized Table 2.

Table 2: Financing Needs, USD'm	
COVID-19 Response Plan Budget	106
Financing	
AFDB	13.87
IMF	87.0
WB	17.3
EU	
Total PBO financing*	**31.17**
Financing Gap without Gov't contribution*	**74.83**
Financing Gap with Gov't contribution*	**48.67**
*To be confirmed	

POLICY DIALOGUE

17. The Bank will pursue high level policy dialogue on COVID-19, agriculture, social protection, transparency and accountability in Liberia. Priority areas for dialogue will include but not be limited to the Government COVID-19 Response plan, and Government's economic recovery plan including prevention of new infections and eradication of COVID-19, strengthening national health systems, and strengthening safety nets statistical and targeting. The Bank will pursue policy dialogue to enhance and strengthen PFM systems, promotion of accountability and transparency, and combating corruption including implementation of IFF framework and governance of natural resources. Given the significant impact of the pandemic on women, policy dialogue will be extended to the development of gender-sensitive measures, to reduce the increasing impoverishment of women heads of household and women entrepreneurs (both in formal and informal sectors) as well as to prevent gender-based violence and girls' dropping out of school. Medium term policy dialogue will also target the ongoing reform concerning development of agro-processing zones to improve access to food and livelihoods.

BENEFICIARIES

18. The direct beneficiaries are the Liberian people through COVID-19 containment measures, individuals who have been infected by COVID-19; medical and health personnel; public officers exposed to the virus through their day to performance of their duties; and households and beneficiaries of social protection grants. Line Ministries, Agencies and Commissions (MACs) responsible for policy implementation e.g. Ministry of Finance and Development Planning, Ministry of Health, Ministry of Gender Children and Social Protection will benefit through strengthened institutional capacity.

COORDINATION ARRANGEMENTS

19. Coordination on the COVID-19 will be through the President Advisory Committee on COVID-19 (PACOC) and National Disaster Agency which are mandated to oversee implementation of COVID-19 strategy. The Bank, through COLR, will also work with other DPs through existing dialogue forums including Partners Group (CPG), Budget Support Working Group (BSWG), Donor Coordination Group, Sector Working Groups, e.g. on Water, Sanitation, and Hygiene (WASH), Agriculture, and social protection.

RESULTS FRAMEWORK

A	PROJECT INFORMATION
PROGRAME NAME AND SAP CODE: Multi-Country COVID-19 Crisis Response Support Programme (MCCRSP); SAP CODE: P-Z1-K00-104	
COUNTRY/REGION: Liberia/RDGW	
PROGRAMME GOAL: To contain the spread of the pandemic, alleviate the suffering of the vulnerable groups, and enhance economic stability by building back better and greener	
PROGRAMMEALIGNMENT WITH COUNTRY AND CRF:	a) The Liberia COVID-19 National Response Plan, and the Liberia Economic Recovery Plan b) The Bank CRF policy Framework; 2012 PBO Policy Framework; Bank Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019); Governance Strategic framework and action plan (GAP-II, 2014-20).
§ Alignment indicators: (i) unemployment rate xx (2019), (ii) GNI per capita of USD xx (2018); (iii) COVID-19 case fatality rate (10% 29 May 2020)	

B RESULTS MATRIX					
RESULTS CHAIN AND INDICATOR DESCRIPTION	**UNIT**	**BASELINE**	**TARGET AT COMPLETION**	**MoV**	**FREQUENCY OF REPORTING**
OUTCOME 1: Strengthened capacity of Government to limit the health consequences of COVID-19					
INDICATOR 1.1: Lab-confirmed cases isolated or hospitalised	%	80	90	MoH, COVID-19 Situation Report	Monthly
OUTCOME 2: Vulnerable women and groups socially protected through safeguard of livelihoods					
INDICATOR 2.1: Households (of which % female headed) benefitting from SCTS	Number	0 (2019/20)	10,000; 60% women (2020/21)	Ministry of Gender and Social Welfare/MOFDP	One off
INDICATOR 2.2: Complementary School feeding programme (SFP) rolled out	Number	129,100 (2019/20)	258,200 (2020/21)	Ministry of Gender and Social Welfare	One-off
OUTCOME 3: Economy stabilised, and public accountability strengthened					
OUTCOME INDICATOR 3.1: Number of SMEs (of which at least 30% women's owned SMEs) benefitting from Surcharge and PSI Regulations suspension	Number	0	8,000 (Dec 2020)	MoFDP	One off
OUTCOME INDICATOR 3.2: COVID-19 specific audit finds no major qualifications or leakages	Yes/No	0	No	Ministry of Finance	Regularly
OUTPUT 1: Covid-19 related services expanded					
OUTPUT INDICATOR 1.1 Health workforce augmented by retired female and male health personnel	Issuance of a circular	not issued	issued	Evidence of circular	One off
OUTPUT INDICATOR 1.2 Increased availability of isolation beds	Number	198	501	MoH, COVID-19 Situation Report	Monthly

OUTPUT INDICATOR 1.3 Increased availability of ICU beds	Number	0	100	MoH, COVID-19 Situation Report	Monthly
OUTPUT 2: Social protection support expanded					
INDICATOR 2.1: Increased social protection spending as % of budget	%	1.6 (2018/19)	≥ 5 (2020/21)	National Budget Outturn Report	Yearly
INDICATOR 2.2: Food Reserve Guidance Note developed	Yes/No	0	Yes (2021)	Ministry of Agriculture	One-off
INDIATOR 2.3: Vulnerable farmers supported with planting materials, at least 30% of women	Number	0 (2020)	50,000; 60% women (2021)	Ministry of Agriculture	Quarterly
OUTPUT 3: Improved cash-flow to small scale traders					
INDICATOR 3.1: Electricity bill arrears cleared	US$ m=(million)	0 (2020)	4 (Dec.2020)	MFDP & LEC	One-off
INDICATOR 3.2: Current Economic Recovery Plan (LERP) approved	Yes/No	No (April 2020)	No (Dec. 2020)	MFDP & LRA	One-off
INDICATOR 3.3: Pre-shipment Inspections (PSI) penalty suspended (disaggregated by green enterprises)	Yes/No	No (May 2020)	Yes (Dec. 2020)	MFDP & LRA	One-off
OUTPUT 4: Public accountability for COVID-19 funds enhanced					
OUTPUT INDICATOR 4.1: Audit and procurement reports on COVID-19 related expenditure published	Yes/No	No (May 2020)	Yes (2021)	GAC	Quarterly/Yearly
OUTPUT INDICATOR 4.2: Joint Select Emergency Oversight Committee appointed and operational	Yes/No	No (May 2020)	Yes (Dec. 2020)	Parliament	One off

MEETING THE ELIGIBILITY CRITERIA FOR THE PBO

Prerequisites	Country Eligibility
Government Commitment	The Government of Liberia is committed to address COVID-19. In response to the pandemic, Government activated and empowered an Incidence Management System (IMS) to collaborate with partners to lead the COVID-19 response towards the eventual and speedy eradication of the virus from the country. A COVID-10 National Response Plan was developed. A State of Emergency to address COVID-19 measures was declared and approved by the Legislature. A Liberia *Economic Recovery Plan (LERP)* has also been developed following the COVID-19 outbreak. In the medium term, a Pro-Poor Agenda for Prosperity and Development (2018-23) was developed and guides Government's efforts to address poverty.
Macroeconomic framework	For the second time in six (6) years, Liberia has prepared a short-term plan to stabilize the economy and to resuscitate growth following disruption to economic activities caused by a viral outbreak; (Ebola in 2014 and COVID in 2019). These disruptions have seen a stark deviation from the country's medium-term plans (the Agenda for Transformation in 2014 and the Pro-Poor Agenda for Prosperity and Development in 2019). The economy was recently projected to expand at a brisk pace in 2020 to 1.4 % up from the contracted growth reported in 2019. The contracted growth in 2019 was mainly driven by falling demand and the evolution of taxes and bank credit. The medium-term outlook (from 2021-2024) proved initially promising with growth averaging at around 4.4 %. However, the anticipated progress in 2020 seems precarious, since the economy still faces headwinds to growth following the recent COVID-19 pandemic and the indelible effects of previous exogenous shocks. In 2013, the pre-Ebola growth rate of the Liberian economy was positioned at around 7.4 %. The Ebola outbreak in 2014 coupled with a sharp decline in global commodity prices disrupted economic activities, causing growth to slow at 0.7 % that year and 0.0 % in 2015. In IMF Extended Credit Facility is in place. The country's debt level is moderate, and the country is not under debt distress. COVID-19 may however put the country under pressure in servicing the debt.

Political stability	Three successful Presidential elections have been held in 2005, 2011, and 2017. The latest elections held during October to December 2017, resulted in the first democratic transfer of power in Liberia in 46 years. The elections process itself was a remarkable success. No candidate won in the first round held October 10, 2017, requiring a run-off between the top two candidates. The run-off, scheduled for November 7, 2017, was postponed after the third-placed candidate, challenged the results of the first-round vote in the Supreme Court. After deliberations, the Supreme Court rejected the challenge and decided that the second round should go ahead. Thus, the runoff, in which the new President emerged victorious, was held on 26 December 2017. Overall, the assessment of the election process, notwithstanding reports of alleged malpractices during the first round, is that the first-round election was free, fair, and transparent. This is also the verdict on the runoff, with the losing candidate actually accepting defeat. There is also consensus among analysts that the peaceful option adopted, of appealing to the courts for resolution of the first-round election dispute, augurs well for consolidation of the country's fragile democracy. However, given the country's weak institutions, and lingering security concerns, the UN is maintaining 1,240 military and 606 police personnel in Liberia as a rapid response force (in case of need), and has extended its mandate to March 2018. Programme will assist in addressing issues of fragility especially in building capacity, protecting the vulnerable through social protection interventions, and enhancing public accountability.
Satisfactory fiduciary risk assessment	The 2019 Bank's CFRA concluded that there have been marginal improvements in the general PFM environment and rated the overall fiduciary risk regarding PFM in Liberia as substantial, just like the PEFA 2016 report. The cumulative effects of key challenges slowed the pace of PFM reforms; the challenges include inter alia: weak control environment; the impact of the prolonged Ebola Virus Disease (EVD); low human resource capacity especially at the operational levels; financial resource shortfalls; frequent in-year budget adjustments; insufficient controls over payroll; expenditure commitment and other non-salary, and non-adherence to internal controls. Nonetheless, with the support of partners, a solid foundation was laid in Information Technology (IT) based modernization, automating some key PFM systems with the Integrated Financial Management Information System (IFMIS), Civil Service Management System (CSMS), the Standard Integrated Government Tax Administration System (SIGTAS), and the Automated System for Customs Data Administration (ASYCUDA). There are improvements in budgeting areas especially, budget credibility, comprehensiveness and transparency, and consistency with policy-based budgeting as guided by the PFM Act 2009 and related regulations. The GoL is committed to improving the PFM system through reforms articulated in the National PFM Strategy and Action Plan 2017–2020, aligned with the National Development Agenda Pro-Poor Agenda for Prosperity and Development (PAPD) 2018–2023, with various initiatives supported by donors. The draft PFM Act is currently before legislature seeking amendments in identified critical areas, which will correct some lapses in the system**.** To mitigate the fiduciary risks, the Internal Audit Agency and Auditor General will conduct a specific audit related to COVID-19 expenditures and share the report with the Bank and make them public. The Public Procurement Concession Commission (PPCC) will prepare and submit to the Bank a Special Procurement audit report on COVID-19. A Joint Select Emergency Oversight Committee comprising House of Representatives and the Senate to will be appointed and exercise oversight over all of COVID-19 programmes. The programme will be also be monitored through enhanced supervision missions and regular local supervision by COLR.
Harmonization	In the process of preparing the CRBS operation, the Bank consulted key development partners such as the World Bank, IMF, EU, and UNCT through their various programmes in response to COVID-19. The Bank will continue to engage with cooperating partners to (a) develop a common understanding of the developing challenges facing Liberia; and (b) promote dialogue and partnership on health, social protection, agriculture and PFM which are critical to promoting socio-economic development through the various sectoral groups. Supervision and reporting on progress being made will be done through sectoral groups, COVID-19 National Response Plan channels and IMS.

POLICY MEASURES MATRIX

POLICY MEASURES MATRIX				
	Pillar	**Actions and Policy Measures**	**Prior Action?**	**Condition met?**
1	Strengthening health systems to contain the COVID 19	Health workforce augmented by retired female and male health personnel	N0	N/A
		Increased availability of isolation beds	N0	N/A
		Support testing capacity to detect infections	N0	N/A
		Infrastructure development (rehabilitate and upgrade National COVID-19 Triage, Isolation and treatment facilities)	N0	N/A
2	Scaling up social Protection Schemes	Increased social protection spending	N0	N/A
		Re-design school feeding programs as ‘pick-up and go’ programs to protect the nutrition of additional 258,200 food insecure children and their families.	No	N/A
		Review agriculture related policies affecting access to food including developing food reserve guidance note	N0	N/A
		Strengthening safety nets statistical and targeting systems	N0	N/A
		Vulnerable farmers supported with planting materials	N0	N/A
3	Strengthening Macro-fiscal framework by protecting strategic sectors	Overwriting payment of electricity bills for targeted vulnerable groups through payment of arrears to Liberia Electricity Corporation (LEC)	Yes	Met
		Adoption of an Economic Recovery Plan for Liberia	Yes	Met
		Suspension of Pre-shipment Inspections (PSI) penalty	Yes	Met
		Implementation of PFM and accountability reforms in areas such as procurement, internal controls, oversight, and anti-corruption to reduce fiduciary risks and enhance developmental impact.	N0	N/A
		Joint Select Emergency Oversight Committee appointed and operational	No	N/A

LETTER OF DEVELOPMENT POLICY

REPUBLIC OF LIBERIA

MINISTRY OF FINANCE & DEVELOPMENT PLANNING

P.O. BOX 10-9016

1000 MONROVIA, 10 LIBERIA

OFFICE OF THE MINISTER

GOL/MFDP/2-1/SDT/ymj/11897

April 30, 2020

Dr. Akinwumi Adesina
President
The African Development Bank Group
Abidjan, Cote D'Ivoire

Dear Dr. Adesina

RE: Letter of Development Policy – Request for COVID-19 Crisis Response Assistance

1. Introduction

I present my esteem compliments for and on behalf of the Government and the people of Liberia. I would like to extend to you my deepest gratitude for the robust and sustained support the African Development Bank continued to provide to Liberia. We appreciate the Bank's objective to support the fight against this global health Pandemic (CORONAVIRUS) and its associated impact on Liberia.

The outbreak of COVID-19 has placed a tremendous stress on the country's health system as in addition to the disease it causes, the health system must contemporaneously cope with the existing levels of non-communicable diseases. This is an enormous challenge as our system cannot cope with huge volume of patients at any particular point in time due to the low health worker-to-patient ratio, inadequate medical supplies and the lack of medical infrastructure. The challenge is also huge considering our fiscal constraints versus the need for more financial resources to combat and mitigate the impact of the pandemic.

This Letter of Development Policy provides a review of recent economic developments and performance of the Liberia economy in the face of COVID 19 fight and recovery measures. It also provides a contextual analysis of the impacts of COVID-19 on the Liberia and provides policy measures Government has put in place to address these challenges. We are grateful of the support being provided to us by development partners, but our needs remain significant. It is in this context that we seek the Bank's support to strengthen our capacity to address these challenges.

2. Current Situation of COVID-19 in Liberia

Liberia reported its index case on 16 March 2020, and as of 22nd April 2020 the number of confirmed cases reached 103 and 9 deaths have been registered. The immediate step taken by the Government after the detection of the index case was the declaration of health emergency, which entailed certain restrictive measures from large gatherings and enforcing social distancing, among others. These measures sought to keep the infection low, but the situation has been worsening. Community transmission remains high, due largely to frequent and high-

National Vision: One People, One Nation united for Peace & Sustainable Development

Ph.: +231 886-611777 / +231 886-786-185 (Hot Line) / +231 777-309-021 volume movement of persons and failure to comply with social distancing protocols, while the national capacity for infection prevention and containment is low. The deficiencies in the health system, including the limited numbers of qualified health workers; inadequate surveillance and information mechanisms; insufficient beds in the Precautionary and Observation Centres (POCs) and treatment centres; fear-driven stigmatisation and threats to health workers limit prevention and treatment efforts. Liberia has a weak health system that has not fully recovered from the aftermath of the recent Ebola viral disease outbreak (EVD) and lacks the requisite infrastructure, personal protection equipment such as gloves, facemasks; specialized facilities, equipment, supplies, and human resources to adequately identify, monitor, and manage cases. Critical gaps exist in Liberia's readiness to detect and respond to the COVID-19 epidemic, specifically in infection, prevention and control (IPC), surveillance and response. The country is at high risk because of the fragile health system.

3. Recent Macroeconomic Developments and outlook

For the second time in six (6) years, Liberia has prepared a short-term plan to stabilize the economy and to resuscitate growth following disruption to economic activities caused by a viral outbreak; (Ebola in 2014 and COVID in 2019). These disruptions have seen a stark deviation from the country's medium-term plans (the Agenda for Transformation in 2014 and the Pro-Poor Agenda for Prosperity and Development in 2019).

Liberia is a small open economy that is export-oriented; exports are essentially primary commodities (rubber, iron ore and gold) while imports are mostly manufactured goods and rice – the nation's staple food; this makes the country susceptible to external shocks. The 2019 direction of trade statistics for Liberia revealed that, as regards trading blocks, Europe is the country's major export destination accounting for 63.9 percent of export earnings with Asia, North America and Africa accounting for the 15.6 percent, 10.1 percent and 4.4 percent respectively. As regards the sources of the Country's imports, Asia is our major import source accounting for 59.7 percent of imports with Africa, Europe and North America accounting for 15.9 percent, 14.6 percent and 6.9 percent respectively. On a country-by country basis, China accounts for 7.1 percent of export earnings but 21.5 percent of imports; the United States of America accounts for 10.1 percent of export earnings but 6.9 percent of imports while the Euro-zone accounts for 0.8 percent of export earnings but 7.4 percent of imports

The Liberian economy was recently projected to expand at a brisk pace in 2020 to 1.4 percent up from the contracted growth reported in 2019. The contracted growth in 2019 was mainly driven by falling demand and the evolution of taxes and bank credit. The medium-term outlook (from 2021-2024) proved initially promising with growth averaging at around 4.4 percent. However, the anticipated progress in 2020 seems precarious, since the economy still faces headwinds to growth following the recent COVID-19 pandemic and the indelible effects of previous exogenous shocks. In 2013, the pre-Ebola growth rate of the Liberian economy was positioned at around 7.4 percent. The Ebola outbreak in 2014 coupled with a sharp decline in global commodity prices disrupted economic activities, causing growth to slow at 0.7 percent that year and 0.0 percent in 2015.

Prior to the recent outbreak, the projected growth in 2020 was driven mostly by increased activities in both the mining and non-mining sectors. The services sector contributes 41.9 percent of real GDP followed by agriculture & fisheries (28.4 percent), Mining & Panning (15.3 percent), Forestry (8.4 percent) and manufacturing (6.0 percent), respectively. The highest contributor to GDP – the service sector – was projected to slump by 1.7 percent in 2020. The outlook has dashed all these good expectations and GDP growth projections are unlikely to be achieved. Jobs will be lost in key sectors amidst shut down of major industries including mining and the services sector.

4. Government's Economic Recovery Plan.

Mitigating the impact of the threat posed by the virus on the domestic economy poses a significant challenge for the country as this is coming at a time when we are struggling to resuscitate growth and increase the Government's revenue; reduce inflation and curtail the increase in the Government's recurrent expenditures; narrow the budget and current account deficits; and maintain debt at a sustainable level. The economy is expected to be worst hit and the achievement of our Pro-Poor Agenda for Prosperity and Development (PAPD) are at risk. To cushion the economy from the severe impact of the viral outbreak, we have developed a short-term economic stabilization plan titled: Liberia Economic Recovery Plan (LERP), to place us on the path of achieving a significant portion of the PAPD objectives. The objectives of this plan are as follow: (i) Protect nascent economic recovery after almost two years of macroeconomic volatility; (ii) Provide critical support to health and related sectors directly dealing with the pandemic; (iii) Protect the soundness of the Memorandum of Economic and Financial Policies (MEFP) and the Extended Credit Facility (ECF) which were placing the country on a path to recovery and growth;(iv) Cushion inevitable revenue collapse arising from the economic disruptions wreaked by the pandemic;(v) Secure national budget credibility and shelter national budget execution from COVID-19 expenditure derailment; and (vi) Provide stimulus relief for key sectors hardest hit by the pandemic.

5. Government's policy intervention in mitigating negative impacts of COVID-19

The Government has put in place several measures aimed at mitigating impacts on the economy and the population and these include the following:

National Lockdown: In line with Constitutional Powers vested in the Presidency, H.E. George M Weah, and President of the Republic of Liberia declared a state of emergency effective 10th April 2020. This has allowed for the implementation of a nationwide lockdown. This means movement is restricted and only essential services are allowed. This has significant implications on the poor and the jobless making them even more vulnerable. However, Government is also mitigating the impact of this lockdown by providing food and water to this category of the population.

Food Support for affected Households, H.E. George M Weah proposed to the National Legislature for the remainder of FY2019/2020 to re-appropriate the amount of US$25 million to support food distribution to households in designated affected counties for the period of 60 days. The full costing to cover this period in affected and other areas may amount up to around

US$40million. We are engaging with our development partners to finance these gaps as a result of COVID 19 impact on the Liberian economy. The World Bank has agreed to finance the gap off-budget in the tune of US$10 million, using resources reallocated from existing projects.

Electricity and Water support during stay-at-home periods, the Government of Liberia provided a settlement of US$ 4 million in arrears to the Liberia Electricity Corporation (LEC). This payment is considered the largest single payments on Government electric bill in years. The LEC has submitted a COVID 19 electricity program that is expected to be funded by this money. The Government is inclined to underwrite electricity bill of households in the affected communities and counties for the duration of the STAY-AT-HOME order. Similar support will apply for the Liberia Water and Sewer Corporation (LWSC).

Market Women and Small informal Petty Traders Bank Loan Program, it is with no doubt that market women and small informal petty traders, who have acquired loans with commercial banks and other creditors, will suffer the pitch significantly from the loss of number of selling and trading days occasioned by the Stay-At-Home order. The Government is working with lenders to show some understanding to our vulnerable borrowers. With the aforementioned, the Government is endeavoring to fully pay the loans owed by market women, and petty trader in affected counties.

Tax Policy and Administration: suspending for the period of six months the surcharge Regulation that imposes an additional charge on imported goods that are also manufactured in Liberia. When instituted, this will encourage more importation without the additional cost that the surcharge imposes. The Government has also suspended the Pre-shipment Inspections (PSI) penalty until otherwise notified. PSI requires importers to do an assessment of their consignment overseas (pre-shipment inspection) before importation.

6. Areas Requiring Urgent Support

The Government has identified three main areas requiring support from development partners and these are outlined below:

a) **Health Sector Support:** Diagnostic testing is essential to contain the transmission of the COVID-19 pandemic but it remains a challenge for Liberia. Further support is required for treatment, care and support for those infected.

b) **Social protection** for the vulnerable and marginalized groups from negative effects of COVID-19 (livelihood support and recovery). This includes provision of food and water to the most vulnerable population during the national lockdown. Further support will be required after the lockdown to support their livelihood.

c) **Economic recovery support:** The Government will require financial and technical support to restate the economy after the COVID-19 pandemic.

7. Enhanced efficiency and accountability in use of COVID-19 resources.
The Government wishes to assure you that measures have been put in place to ensure that financial resources received for the fight against COVID-19 are used for the intended purpose and are accounted for. Government will use existing Public Financial Management system for these purposes. Commitment is made for high levels of transparency and accountability for the use of funds and also mitigating and combating corruption around COVID119 response.

8. Conclusion
Let me re-iterate that the Government of Liberia is committed to working with the African Development Bank in succeeding the fight against the deadly CORONAVIRUS pandemic.

Please accept the assurances of my highest esteem.

Sincerely,

Samuel D. Tweah, Jr.
MINISTER

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING
MONROVIA, LIBERIA

APPENDIX 3: SIERRA LEONE COUNTRY NOTE

ECONOMIC, SOCIAL AND GOVERNANCE CONTEXT

1. **Macroeconomic Environment:** Sierra Leone economy has been severely hit by the COVID 19 pandemic. The economic shocks are transmitted primarily through three main channels: commodity prices (especially mining) and trade, foreign direct investment, and tourism and travel. Resulting from the sharp decline of supply and demand, the medium-term real GDP growth rates were revised downward. Real GDP growth is projected to decline in the range of 1.7% to -2.6 in 2020. The fiscal deficit is expected to be in the range of -5.0 to -6.7% of GDP.

Table 1: **Macroeconomic Trends and Prospects (2018-2021)**

			Without COVID-19		**With COVID-19 (Baseline)**		**With COVID-19 (Worst-Case)**	
	2018	**2019(e)**	**2020 (p)**	**2021 (p)**	**2020 (p)**	**2021 (p)**	**2020 (p)**	**2021 (p)**
Real GDP Growth (%)	3.5	5.1	4.2	5.1	1.7	3.9	-2.6	2
Inflation (%)	16	14.8	12.3	11.4	15.3	15.8	17	16.2
Budget balance (+/-) (% GDP)	-5.6	-2.9	-4.3	-3.9	-5.0	-5.4	-6.7	-6.1
Current Account Balance (% GDP) (+/)	-18.7	-13.9	-10.2	-9.7	-15.5	-14.3	-16.1	-15.4

Source : AfDB, Statistics Department

2. **Governance:** Despite encouraging progress, persistent governance challenges weaken effective services delivery. The Bank's CPIA has averaged 3.1 in the past few years. In 2018, the country scored 50.9 on Ibrahim Index for African Governance, marginally above the African average score of 49.9. On corruption perception index, the country improved from 30 out of 100 in 2018 to 33 in 2019 due Governments efforts in fighting corruption supported by legal and institutional reforms. The Bank's CFRA rated the fiduciary risk **'substantial'.** PFM reforms are underway to reduce the risk. The external audits and the coverage have been above 85% of government expenditure and the Audit Service of Sierra Leone (ASSL) has consistently met its statutory reports submission timelines to parliament. It performed specialized audits including Procurement and Performance Management Audits, which helped in tightening the control environment. The specialized audits areas need strengthening both in capacity and budgetary resources of the ASSL.

3. **COVID-19 Status.** Since 31st March 2020 when COVID-19 was confirmed, the pandemic has been on the rise (735 cases, 205 recoveries, 42 deaths as at 24 May). Government proactively established an Emergency Operation Coordination (EOC) centre. The EOC prepared a National Preparedness and Response plan. Due to the propensity and magnitude at which this global pandemic is spreading, the weak heath infrastructure is an issue of concern. According to 2018 WHO data, the doctor-to-population ratio in Sierra Leone is 136 doctors for Sierra Leone's 6.5 million people. The overall health index score for the country is 38.2 out of 100 ranking [2020 Global Health Security Index (GHSI)]. The Government had developed comprehensive health policies and plans after the EVD crisis, including devolution of health service delivery, but these were not fully implemented in practice because spending and implementation have not matched policies due to lack of adequate resources.

4. **Social Context**. Sierra Leone has made notable progress in the reduction of poverty between 2003 and 2011, but the overall incidence of poverty remains high. Data from the 2018 Sierra Leone Integrated Household Survey show a decline in poverty to 52.9% from 62.4% in 2011. The poverty headcount is high at 47.9%. The country still faces major situations of fragility linked to endogenous factors including a high rate of youth unemployment, gender inequality, high levels of perceived and real corruption, land and property rights disputes, weak human and institutional capacities, and weak economic governance systems (PFM and revenue management systems). Limited physical infrastructure, especially in energy, water supply and roads, inhibit inclusive and sustainable growth and limits the country's ability to implement and effectively carry out transformation and provide basic social services to its citizens. Social safety nets cover 834,000 beneficiaries representing 11.9% of the population. Covered households are entitled to benefits such as cash transfers, public works, in-kind food transfers such as school feeding and take-home rations, nutritional supplementary feedings and food distribution during the raining season and general subsidies meant to benefit households, often for food energy and housing or utilities. However, a large proportion of the population (including many families with working age members, particularly in rural areas and in the informal sector) remain uncovered by these programmes.

PROGRAMME

5. **GOAL, PURPOSE AND COMPONENTS.** The programme seeks to contain the spread of COVID-19 and build the country's economic and social resilience. The operational policy objectives are (i) to strengthen the health system capacity to contain the spread of the pandemic; (ii) support resilience of vulnerable households and enhance social protection; and (iii) mitigate the economic impact of the crisis. The components are aligned to the policy objectives. The programme will pave way for further policy dialogue with the Government on improving public services delivery in social sectors: health; education; social protection.

COMPONENT I: SUPPORT TO CONTAIN THE SPREAD OF THE PANDEMIC

6. **Context and challenges:** Medical care is not readily accessible and affordable with doctors and hospitals out of reach for many rural communities. Free health care is confined to children under 5, pregnant or lactating women and those that survived the 2014 Ebola outbreak. Inadequate human resources and facilities are key weaknesses of the health system, limiting ability to provide care especially for critically ill patients. Basic health systems indicators are poor (e.g. 3 physicians per 100 000 population; 50 nurses / midwife per 100 000 population). Low number of Isolation beds and ICU beds, equipment like oxygen concentrators, pharmaceutical and non-pharmaceutical needs are key constraints. The EVD weakened the health care system and led to acute dependence on external health assistance and corruption. With the COVID-19 pandemic, there is a need to support citizens who cannot afford health care, strengthen the Peripheral Healthcare Units (PHUs) with an extended community health programme and secondary care facilities in the 21 district and three referral hospitals.

7. **Government action:** Government issued a declaration enforcing social distancing. A State of Emergency for 12 months was declared on 25 March 2020, and lockdown measures were executed including closure of borders. Currently, 600 contact tracers have been deployed across the country with support from DFID and WB. Government has developed a national preparedness and response plan to address the pandemic. The Health plan has ten pillars of which Laboratory and Logistics pillar is very important for early detection through testing.

8. **Programme measures:** The programme will support measures for adoption of the response plan and for strengthening human capacity (staff training and recruitment). It will strengthen Government's capacity for testing, and surveillance. It will support to improvements in hospital infrastructure including increasing hospital beds. The expected **results** are increased rate of people tested from 0.01% in April 2020 to 2% of the total population of 7 m by end December 2020; increased number of hospital bed for COVID-19 patients from 200 to 500 by end December 2020; and strengthened human resources capacity of frontline health workers.

COMPONENT II – STRENGTHENING SOCIAL PROTECTION

9. **Context and challenges:** While Social safety nets cover 834,000 beneficiaries, a large proportion of the population (particularly in rural areas and in the informal sector) remain uncovered. The Bank's 2018 Country Resilience and Fragility Assessment (CRFA) revealed that Sierra Leone net resilience score is zero, implying that the country overall capacity and pressure is the same with no resilience and capacity to provide basic social services, address political justice or security pressures. In a bid to contain the spread of the pandemic, schools have been closed and this further weakening the education system. Therefore, protecting the education system by putting

in place policies and innovative strategies to continue learning under the present health emergences remain a key priority.

10. **Government action:** Government has developed its social protection priorities to cater for households in extreme poverty. In the 2019 Budget Law, the Government increased public investment in Social Protection to 5% of the annual budget. With the outbreak of the COVID 19 pandemic, the Government developed *the Quick Action Economic Response Plan (QAERP)* which aims to provide safety nets to vulnerable groups; provided basic needs in-kind and cash for destitute during lockdowns across the country; and provide assistance for the local production and processing of staple food items. The cash transfers schemes will help to deal with pandemic shocks, mitigate the impact on price inflation of basic consumption (food, medical costs), compensation of unemployed people for lack of income, employment retention or restoration policies.

11. **Programme measures** :In view of the foregoing, the programme policy measures include: (i) expansion of the cash transfer to extremely poor and food insecure households to reach a total of 70,000 vulnerable and woman-headed households; and and (ii) the programme will support health workers and informal workers with cash transfers to regain their normal lives affected by the disruption of the disease. This will enhance the livelihood of the informal workers and maintain stability in communities. The **expected results** are: 100% increase of vulnerable households benefiting from cash transfers (from 35,000 to 70,000); and enhance 1,500 informal workers and 1,000 health workers livelihood, resilient and increase household consumption.

COMPONENT III. SUPPORT ECONOMIC RESILIENCE

12. **Context and challenges:** The COVID-19 outbreak has led to disruption of real economic activities (tourism, manufacturing, transportation, mining) due to measures such as social distancing, movement restrictions, reduced labour force participation, and slowdown in global demand and a decline in commodity prices. Slow economic growth may exacerbate the already high levels of poverty, unemployment and economic fragility. The measures have affected the tourism and services sector heavily. A collapse in tourism has negatively affected occupancy rates, turnover and income of hotels, restaurants, tour operators, small businesses and other sectors that are linked to the hospitality sector. The consequence of this include redundancies of staff and reduced demand in other sectors. This will also lead to reduction in the volume of foreign exchange earned in the sector, and that could have a negative effect on currency and tax revenue from the sector.

13. **Government action:** To mitigate the economic impact of the COVID-19, Government prepared the *Quick Action Economic Response Programme with a view* to building and maintaining an adequate stock level of essential commodities at stable prices; provide support to hardest-hit businesses to enable them to continue operations, avert lay-offs of employees and reduce non-performing loans. The Government policy responses include lowering of the monetary policy rate from 16.5% to 15%; establishment of a Le 500 billion special credit facility to finance the production, procurement, and distribution of essential goods and services; and to ease liquidity conditions in financial markets, the Monetary Policy Committee (MPC) extended the reserve requirement maintenance period for commercial banks from 14 days to 28 days.

14. **Programme measures** The programme with hence support: (i) development and formulation of KPIs of the QAERP; (ii) building and maintaining an adequate stock level of essential commodities at stable prices; (iii) providing support to hardest-hit businesses to enable them to continue operations, avert lay-offs of employees and reduce non-performing loans; (iii) providing assistance for the local production and processing of staple food items; (iv) De-risk lending through guarantees to Small and Medium-Scale Enterprises (SMEs); (v) Negotiate with Commercial Banks to suspend interest payment to SMEs in the tourism sectors; and (vi) Commence the National Micro-Credit Scheme. The **expected results** are: (i) at least 30% of SMEs benefit from tax deferment and access to credit; and (ii) at least 50% of registered SMEs benefit from tax deferments for importers and manufacturers of locally consumed goods.

FINANCING NEEDS

15. The fiscal deficit including grants will decline to -8.2% of GDP compared to -3.3% pre-COVID-. Table 2 summarises the financing needs for implementing the response plan and the QAEP. With expected financing from Government amounting to US$ 66.1 million, the financing gap reduces to US$ 63.71 million.

Table 2: Financing Needs, USD'm	
COVID-19 Response Plan Budget	234.03
Financing	
AFDB	24.60
IMF	164.3
WB	7.5
EU	10.96
EU Budget Support Grant **	27.39
Total PBO financing	**234.75**
Financing Gap without Govt. contribution	**0.72**
Financing gap with Govt. contribution	**63.71**
** To be confirmed	

POLICY DIALOGUE.

16. The proposed programme log-frame and the Government's COVID19 Response Plan will form the basis of policy dialogue around the achievement of the expected outcomes of the three components of the programme. The proposed operation purpose is to contain the spread of the COVID-19 pandemic; enhance social protection; and build economic resilience through short- and medium-term policy measures. In the medium term, the policy dialogue will be built around the effective implementation of the new Bank's CSP (2020-2024) and enhanced collaboration with other DPs to foster a more resilient economy and improve people's livelihoods.

BENEFICIARIES.

17. The programme will directly benefit people who are infected by COVID 19 and survivors, medical and health practitioners, vulnerable households who are food insecure, informal sector workers, public workers exposed to the disease, line ministries responsible for implementations through technical support. The programme will support increased social protection coverage, reviving the educational sector including school feeding programme for children and strengthen of the public health infrastructure. Indirect beneficiaries are vulnerable households including families of survivors of COVID 19, the entire population of Sierra Leone including female headed households, persons with disabilities, unemployed youth, aged and boarder communities.

COORDINATION ARRANGEMENTS

18. Coordination with Government and other DPs will be through Emergency Operation Coordination (EOC) Centre set by Government. The EOC formed the inter- ministerial taskforce committees on COVID response and prepared the National Preparedness and Response plan. The Bank through COLR also engaged with other DPs in preparing the programme. While the programme was designed outside the Budget Support Group (BSG), efforts will be harmonise reporting and monitoring with other partners the BSG.

RESULTS FRAMEWORK

A		PROGRAMME INFORMATION

PROGRAMME NAME AND SAP CODE: Multi-Country COVID-19 Crisis Response Support Programme (MCCRSP): SAP SL-KA0-017

COUNTRY/REGION: Sierra Leone/RDGW

PROJECT GOAL/HIGHER-LEVEL OBJECTIVE: To contain the spread of COVID-19 and build the country's economic and social resilience

PROGRAMME ALIGNED WITH:	a) Sierra Leone COVID-19 Preparedness and Response Plan and the Quick Action Economic Response Programme for COVID-19 Emergency response
	b) TYS, High Fives, GAP II, Human Capital Strategy, The Bank CRF policy Framework; and the 2012 PBO Policy Framework
	C) Alignment indicators: (i) Reduced COVID-19 cases fatality rate (1%) ; Case Fatality Rate (6.6% May 2020)

B	RESULTS MATRIX

RESULTS CHAIN AND INDICATOR DESCRIPTION	UNIT	BASELINE (2019)	TARGET AT PROGRAMME COMPLETION [Q1 2021]	MEANS OF VERIFICATION	FREQUENCY OF REPORTING
OUTCOME 1: The spread of COVID-19 contained					
INDICATOR 1.1: Increased diagnostic capacity	Number of tests	1,000 test (April 22)	30,000 (Dec 2021)	Ministry of Health	Monthly
INDICATOR 1.2: Number of available ICU beds	Number	10 in 2019	At least 100 by end December 2020	Ministry of Health and Sanitation	Quarterly
INDICATOR 1.2: Strengthened capacity of frontline health workers	Number 50% women	0	1500	Ministry of Health and Sanitation	Quarterly
OUTCOME 2: Social protection system strengthened					
INDICATOR 2.1: Number of vulnerable Households benefiting from cash transfers schemes	Number	35,000 in 2019	70,000 (Q4 2020), 50% being women	National Commission for Social Action	Monthly
OUTCOME 3: Economy stabilised and public accountability strengthened					
INDICATOR 3.1: Number of SMEs benefiting from micro-finance scheme	Number	0	**1,025,** 50% women (July 2020)	Ministry of Finance, Ministry of Trade	Quarterly
OUTCOME INDICATOR 3.2: COVID-19 specific audit finds no major qualifications or leakages	Yes/No	0	No (2021)	Ministry of Finance	Regularly
OUTPUT 1: Health system capacity to address the pandemic spread enhanced					
INDICATOR 1.1: Adoption and decentralization of the Covid-19 Preparedness and Response Plan for the health sector	Yes/No	No (Q1, 2020)	Yes	Ministry of Health and Sanitation	One off
INDICATOR 1.2: Increased budget allocation for the health sector	Le(billion)	143.7 (Jan 2020	261.2 (Dec 2020)	Ministry of Health and Sanitation / Ministry of Finance	One-off
INDICATOR 1.3: Number of labs equipped for testing	Number	5 (May 2020)	7 (end 2020)	Ministry of Health and Sanitation	Quarterly
OUTPUT 2: Social protection schemes extended					
INDICATOR 2. 1: Budget allocation to social protection appropriated allocated and disbursed	USD, million	0.4 (Jan2020)	2 (Dec2020)	Ministry of Finance/ National Commission for Social Action	One-off
INDICATOR 2.2: Number of informal and health workers receiving livelihood support	Number	0	1,500 informal sector workers; 1,000 health workers, 50% being women	National Commission for Social Action	Quarterly
OUTPUT 3: Private sector supported					
INDICATOR 3.1: Adoption and formulation of KPIs of the Quick Economic Response Plan	Response Plan	0	QAERP KPIs developed and adopted in Dec2020	Ministry of Finance / Ministry of Planning and Economic Development	One off
INDICATOR 3.2: national micro-credit scheme operational	Yes/No	No	Yes, Dec2020	Ministry of Finance	Quarterly
OUTPUT 4: Public accountability for COVID-19 funds enhanced					
OUTPUT INDICATOR 4.1: Audit and procurement reports on COVID-19 related expenditure published	Yes/No	No (May 2020)	Yes (2021)	National Audit Office reports	Quarterly/Yearly

MEETING THE ELIGIBILITY CRITERIA FOR THE PBO

Prerequisites	**Country Eligibility**
Government Commitment	1. The Government adopted and a Quick Action Economic Response Programme (QAERP) to address the macroeconomic shocks and extending social protection schemes. The Government of Sierra Leone has shown strong commitment to poverty reduction, reform and inclusive growth. Poverty reduction features highly in the political discourse. The implementation of successive Poverty Reduction Strategies has registered progress in addressing the enormous poverty and social challenges that arose from a decade of domestic conflict and economic collapse. The country moved from the very bottom of the Human Development Index in 2000 (score of 0.252) to a score of 0.440 in 2019. Achievement of the MDGs in the country remains a profound challenge, given the extremely low starting point. Data from the 2018 Sierra Leone Integrated Household Survey show a decline in poverty to 52.9% from 62.4% in 2011. The poverty headcount is high at 47.9%. The under-5 mortality rate is 174 deaths for every 1,000 live births, significantly more than the average for low-income countries (127/1,000). Enrolment in primary education is higher in 2017 but falling short significantly at the secondary and tertiary levels over the same year. The Government has prioritized reducing poverty and inclusive growth in its National Development Plan, 2019-2023.
Macroeconomic framework	Despite a challenging economic context and vulnerability to external shocks, Sierra Leone has made efforts to pursue macroeconomic stability. GDP grew at an average rate of 5.9% and reached 3.5% in 2018 and 5.5% in 2019 following an estimated 3.7% in 2017. This positive trend is on account of increased output in agriculture, services and infrastructure investment. Inflation remained high in 2017 at 18.2% and is expected to decline to respectively 15.6 and 13.1% in 2018 and 2019. Comprehensive structural and institutional reforms have been carried out to enhance revenue collection as well as expenditure and treasury cash flow management, improve monetary operations and banking sector supervision, and strengthen the management of natural resources. Although the fiscal position weakened due to the tension between available resources and expansionary spending paths, the introduction of tougher expenditure controls and intensification of resource mobilisation efforts will help improve overall fiscal consolidation, and the fiscal deficit (including grants) is projected at 2.9% of GDP in 2019 to 8.8% in 2017. The country concluded a new three years economic and financial programme backed by an IMF Extended Credit Facility on November 30, 2018. The second review of the programme was successfully completed in April 2020.
Political stability	Since the civil conflict ended in 2001, Sierra Leone has held four presidential and general elections, judged free and fair by the international community. In 2018, the country experienced a peaceful changeover of power, with the opposition leader, Julius MAADA BIO, winning the presidency. However, risks of conflict remain latent but broadly manageable, with sporadic though localized episodes of political violence between supporters of the ruling and opposition parties. Election patterns highlight the fact that the country remains divided along a north-south ethno-regional divide, and the polarized political scene poses threats to political stability. Drivers of conflict are local disputes over access to resources, and especially use of land and related compensation around extractive sites, where the role of traditional leadership and local councils in the management of resources is in flux, and a potential source of dispute. The ability of government to demonstrate that it can manage the expected boom in extractive revenues in a socially and geographically equitable is a key tool to mitigate risks to peace and stability.
Satisfactory fiduciary risk assessment	Overall fiduciary risk of Sierra Leone is assessed as substantial and there are measures to mitigate this further, making the country eligible for the Bank's PBO In accordance with Bank FM procedures, a Country Fiduciary Risk Assessment (CFRA) was carried out to assess the adequacy of the fiduciary environment and the existing country financial systems for managing the proposed PBO. With further mitigating measures, the assessment concluded that the country's PFM system could reliably ensure efficient and economical utilization of programme funds. With the continuous PFM reforms by Government and other development partners' initiatives, the overall fiduciary environment could be strengthened.

Harmonization	Delivery of budget support in Sierra Leone is highly harmonized, with an established Donor's group comprising the Bank, the European Union, IMF and the World Bank. Budget support is delivered under the guidance of a Multi-Donor Budget Support (MDBS), based on a common Progress Assessment Framework (PAF) that brings together the key indicators measuring the performance of the programme and providing the key platform for policy dialogue. Policy dialogue is cantered in the Budget Support Group (BSG), com-prising the four MDBS donors and Government, which meets at the policy level (Head of Mission/Financial Secretary) and at the working level, to monitor progress against the PAF and the risks to the objectives of the programme. A review of the PAF is jointly con-ducted once a year. Donors and Government have agreed to undertake a comprehensive review of the PAF with a view to streamline the number of indicators and align it with the A4P. The proposed operation would be fully integrated into the harmonized MDBS framework, thereby strengthening harmonization of donor efforts in Sierra Leone's fragile context. Within the MDBS group as an active donor, the AfDB increases its visibility in the donor group, influence the direction and content of the PAF review, and thus participate in defining the MDBS objectives over a three years period (covering the A4P's implementation), which would allow it to take on the rotating chairmanship of the BSG

POLICY MEASURES MATRIX

POLICY MEASURES MATRIX				
	Pillar	**Actions and Policy Measures**	**Prior Action?**	**Condition met?**
1.	Strengthening health systems to contain the COVID 19	Adoption and decentralization of the Covid-19 Preparedness and Response Plan for the health sector	Yes	Met
		Increased budget allocation for the health sector	N0	N/A
		Number of testing centres established	N0	N/A
		Support to improvements in hospital infrastructure including increasing hospital beds	N0	N/A
2	Scaling up social Protection Schemes	Extension of the cash transfers scheme to include additional 35,000 vulnerable households.	Yes	Met
		Budget allocation to social protection appropriated allocated and disbursed	N0	N/A
3	Strengthening Macro-fiscal framework by protecting strategic sectors	Develop Key Performance Indicators for delivery and monitoring of the Quick Action Economic Response Programme	Yes	Met
		Operationalize National micro-credit scheme	No	N/A
		Building and maintaining an adequate stock level of essential commodities at stable prices.	No	N/A
		De-risk lending through guarantees to Small and Medium-Scale Enterprises (SMEs)	No	N/A
		Negotiate with Commercial Banks to suspend interest payment to SMEs in the tourism sectors	No	N/A
		Implementation of PFM and accountability reforms in areas such as procurement, internal controls, oversight, and anti-corruption to reduce fiduciary risks and enhance developmental impact.	No	N/A

ANNEX 4 : LETTER OF DEVELOPMENT POLICY

ANNEX I: LETTER OF DEVELOPMENT POLICY

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Ministry of Finance
Treasury Building
George Street
FREETOWN
30th June 2020

GOVERNMENT OF SIERRA LEONE

Dr. Akinwumi Adesina
The President, African Development Bank Group
Avenue Joseph Anoma
01 BP 1387 Abidjan 01
Cote d'Ivoire

Dear Dr. Akinwunmi Adesina,

Letter of Development Policy for the 2020 COVID-19 Budget Support

1. I write, on behalf of the Government of Sierra Leone (GOSL), to request for provision of UA 18 million (US$24.48 million) as COVID-19 Crisis Response Budget Support by the African Development Bank. This exceptional assistance from the Bank will ensure priority funding for the implementation of the Health Preparedness and Response Plan and the Quick Action Economic Response Plan (QAERP).

2. This letter of development policy summarises economic developments in 2019 and the first half of 2020 and presents outlook for the rest of 2020; describes the actions and policy measures being implemented by Government to contain the spread of COVID-19 and mitigate its impact on households and businesses as well as how the proposed grant will contribute to the achievement of those objectives.

Economic Developments in 2019 and first half of 2020

3. The Sierra Leone economy recovered in 2019, growing by 5.1 percent from 3.5 percent in 2018. The recovery was led by agriculture, manufacturing, construction, trade and tourism, transport and communications sectors as well as the resumption of iron production during the first half of 2019.

4. Inflationary pressures moderated in 2019 though remained high. Inflation declined from 14.2 percent in December 2018 to 13.9 at end December 2019, driven mainly by the fall in food prices. Food inflation decelerated from 12.7 percent in December 2018 to 5.4 percent in December 2019. Non-food inflation rose significantly 16.5 percent to 25.9 percent over the same period owing to the depreciation of the exchange rate, upward revision of domestic pump prices for fuel and also the increase in electricity tariff. During the first half of 2020, inflation rose from 13.6 percent in January 2020 to 15.6 percent in March 2020.Inflation moderated to 15.1 percent in April before rising to 15.5 percent in May 2020. This higher inflation recorded during the period may be

attributed to increase in demand for goods and services before the Ramadan; food supply shocks and panic buying induced by COVID-19 on concerns of food scarcity during lockdowns and inflationary expectations due to the increasing uncertainty.

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 2.9 percent of non-iron ore GDP in 2019 from 5.6 percent in 2018 mainly due to increase in domestic revenue collection. Domestic revenues improved to Le 5.4 trillion (14.3 percent of GDP) compared to Le4.4 trillion (13.7 percent of GDP in 2018 driven mainly by administrative reforms, including extensive taxpayer education; the enhanced tracking system of payments including the Treasury Single Account (TSA); tracking of PAYE and Goods and Services Tax compliance of taxpayers; and the continued application of the liberalized fuel pricing mechanism introduced in 2018. With regard to expenditure, underspending was registered in the first half of 2019, but spending picked up in the third and fourth quarters to reach Le 7.7 trillion (20.6 percent of GDP at the end of 2019). This reflected higher-than-programmed wages and salaries emanating from reclassification of university staff salaries from subsidies and transfers into the payroll, and the payment of salaries to Paramount Chiefs.

6. 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 2020. Credit to the private sector increased by 22.9 percent in 2019 amidst a contraction of Bank of Sierra Leone's (BSL's) financing of the budget with less-than-programmed broad money growth. With high but easing inflationary pressures, the BSL kept the Monetary Policy Rate on hold throughout 2019 on the back of slowing growth momentum, rollover risk in the domestic debt market, and tight liquidity conditions in the banks.

7. The banking system remains stable, with banks appearing largely profitable and adequately capitalized, albeit with large diversity across institutions. The industry also met the overall liquidity requirements, recording 107.97 percent in 2019 compared to 67.91 percent in 2018. This was due to the high investment by banks in treasury bills as the government appetite for domestic borrowing increased. As at end-December 2019, the industry capital adequacy ratio was 41.7 percent, up from 38.4 percent in 2018, and all banks met the minimum 15 percent ratio. 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) increased to 16.6 percent in 2019, up from 12.7 percent a year earlier.

8. The current account deficit narrowed slightly to 13.8 percent of non-iron ore GDP in 2019 from 18.7 percent in 2018, partly on account of income and current transfers. While the external accounts improved, pressure on the exchange rate remains. The weak performance of exports in the midst of high 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), to US$ 506 million at end December 2019 (about 3.5 months of imports).

9. The total stock of public debt was estimated at US$ 2.36 billion (70 percent of GDP) at end-December 2019. External debt amounted to US$1.69 billion (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$677.8 million (27.8 percent of total debt). The increase in domestic debt was mainly due to new issuances in securities, mainly the 364-day T-bills, but also the issuance of zero-coupon treasury bonds to contractors to clear arrears. To address the raise in debt stock, Government has adopted a policy to priorities concessional borrowings and grants to fund development and social projects and ensure value for money. In addition, Government has also developed a number of strategy documents to support the management of its debt stock including a Domestic Suppliers Arrears Strategy which focuses on the treatment of existing stock and preventive measures to avoid accumulation of arrears. Government is committed to contracting non-concessional loans and also to reduce the budget deficit in order to stabilize the debt situation. Government is also implementing the Medium-Term Debt Strategy developed with technical assistance from the IMF and the World Bank to ensure debt sustainability.

Medium-term Macroeconomic Outlook- 2020-2021

10. Prior to the outbreak of the COVID-19 pandemic, the economic outlook was broadly balanced. The economy was projected to average 4.5 percent over the medium-term. Inflation is projected to return to single digits by 2022, reflecting the proactive stance of monetary policy, as well as the projected increase in exports and domestic food production in the medium-term. The fiscal and external accounts were projected to narrow down from their respective levels in 2019.

11. However, outbreak of COVID-19 pandemic and the associated containment measures including the suspension of international flights, closure of land borders, lockdowns, night curfews and restriction of inter-district travel have dampened economic growth in 2020. In addition, the weak economic activity in Sierra Leone's main trading partners including China and Europe and the related drop in demand for Sierra Leone's exports coupled with global supply chain disruptions is impacting negatively on domestic economic activities. Consequently, real GDP is now projected to contract by 3.1 percent in 2020. The projected contraction in domestic output is explained by the anticipated slowdown in growth of the agriculture sector and mining as well as the sharp contraction in the services sectors. Inflation is now projected to rise to 17.5 percent in 2020.

12. The contraction in economic activities will adversely affect domestic revenue collection. Domestic revenues are projected to drop by Le1.10 trillion (US$110 million) owing to reduced domestic private consumption, closure of businesses, fall in employment levels, drop in imports, disruptions in mining , which will result in lower-than anticipated corporate and personal income tax, lower mineral royalties and fuel taxes. Government spending will increase in 2020 to Le7.7 trillion (26 percent of GDP). COVID-19 related expenditures are projected at Le1.38 trillion in 2020. As a result, the budget deficit, excluding grants will widen to 12.5 percent of GDP compared to the original projection of 7.4 percent. The deficit, including grants, will widen to 8.2 percent of GDP compared to the original projection of 3.3 percent. The COVID-19 is expected to adversely impact the external sector of the economy. The current account balance will widen to US$611.2 million (15.8 percent of GDP) from the original projection of US$466.9 (11.3 percent of GDP) mainly due to the expected drop in exports as commodity prices fall.

Policy Reforms Agreed with the African Development Bank

13. 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 remains on track with the International Monetary Fund Extended Credit Facility program.

14. However, the outbreak of the COVID-19 has adverse impact on the economy. Government developed several programmes to mitigate the impact of COVID-19 to save lives and livelihoods. This is in line with the African Development Bank's objective to support African countries in building resilience to contain the COVID-19 outbreak and maintain macroeconomic stability.

Developing and Monitoring the Implementation of Quick Action Economic Response Plan (QAERP):

15. The Government of Sierra Leone has developed a short-term Quick Action Economic Response Programme (QAERP) with five programme objectives aimed at maintaining macroeconomic and financial stability as well as mitigating the impact of COVID-19 on households and businesses. The total financing requirement of the QAERP is estimated at US$ 136.5 million. The five programme objectives of the QAERP are as follows:

- **Programme Objective 1: Building and maintaining an adequate stock level of essential commodities at stable prices-** by (i) providing tax deferments to importers and manufacturers of locally consumed goods; (ii) supporting the private sector for the importation of essential commodities through the provision a special credit facility at concessional interest rates.

- **Programme Objective 2: Providing support to hardest-hit businesses to enable them to continue operations and avert lay-offs of employees.** The strategic actions under this programme objective are to: (i) provide special loan facility (local and foreign currency) to businesses at concessional interest rates; (ii) de-risk lending through guarantees to Small and Medium-Scale Enterprises (SMEs); (iii) negotiate with Commercial Banks to suspend interest to SMEs in the tourism sectors; and (iv) commence the National Micro-Credit Scheme.

- **Programme Objective 3: Expand safety nets to vulnerable groups**. The focus of this programme objective is to expand on existing cash transfer programme implemented by National Commission for Social Action (NaCSA) and provide food assistance to vulnerable groups.

- **Programme Objective 4: Supporting labour-based public works.** This seeks to provide jobs and income for the youth through rehabilitation of 1,000 kilometres of unpaved trunk and feeder roads and carrying out minor repairs on 200 km of Township roads taking into consideration the COVID-19 preventive measures.

- **Programme Objective 5: Providing assistance for the local production and processing of staple food items.** The objective is to increase local production of basic food items. The strategic actions are to (i) provide farm inputs including implements, chemicals and seedlings to small scale farmers; (ii) support farmers' access to tractors and other farm machinery; and (iii) provide extension services to farmers.

16. A comprehensive monitoring and evaluation framework has been developed to monitor the implementation of the QAERP. Key Performance Indicators (KPIs) and implementation milestones have been developed in consultation with key stakeholders. The KPIs contain macro-level socioeconomic indicators, which are meant to provide national-level pulse-taking on the food security, poverty levels, business environment, and inflation. Both the KPIs and the implementation milestones will be tracked and monitored via a real-time, online dashboard, which will be updated weekly by the Pillars and validated by the QAERP Secretariat.

Establishment of the National COVID-19 Emergency Response Centre in Freetown and the Provincial Districts

17. The QAERP is complemented by the dedicated COVID-19 Prevention and Response Health Sector Response Plan which aimed at saving lives, by expeditiously addressing the health threat posed by COVID-19. To this end, Government established the National COVID-19 Emergency Response Centre (NACOVERC) to coordinate the implementation of the Health Sector Preparedness and Response Plan. NACOVERC is comprised of structures for contact tracing, disease surveillance, testing, quarantining and treatment facilities. To intensify the fight against COVID-19 nationwide, Government also established District COVID-19 Emergency Response Centres (DICOVERC) and appointed District DICOVERC Coordinators in all 16 Districts to oversee and coordinate the implementation of the Government COVID Health Response Plan at the district level.

Expansion of the Cash Transfers Scheme

18. In line with Programme Objective 3 of the QAERP, the Government has expanded the cash transfer scheme to include an additional 35,000 vulnerable households including people with disability and informal sectors workers. Government triggered the use of US$4 million allocated under the Sierra Leone Social Safety Net Project to provide food and financial support to vulnerable household and people with disability to cushion the effect of COVID-19 containment measures. The payment of the cash transfers was implemented in partnership with the Anti-Corruption Commission to ensure transparency and accountability in the use of the funds.

19. To ensure prudent use of public funds under an emergency, Government has established a fiduciary management system for the utilization of COVID funds. Special accounts denominated in Leones and US Dollar have been opened at the Bank of Sierra Leone for the COVID response. These accounts are managed by the Accountant General. Monies lodged into the accounts are as the needs arise transferred to agencies involved in the COVID-19 response including the COVID operational accounts.

20. Government financial management and procurement procedures are used in the management of these funds. Agencies receiving funds from the COVID-19 Response Accounts are required to ensure that the Public financial Management Act 2016 and Procurement Act including their regulations are fully complied with in the use of public funds. Beneficiary MDAs are expected to retire expenditure and provide supporting documents. Statements of account for the COVID Response Account are also published by the Ministry of Finance.

Progress in the Implementation of Public Financial Management Reforms (PFM) Reforms

21. Government continues to make significant progress in the implementation of Public Financial Management (PFM) reforms. A new PFM Reform Strategy covering the period 2018-2021 and an implementation plan to monitor progress on the implementation of the Strategy have been developed. The PFM Reform Strategy (2018 – 2021) targets a range of improvements across the PFM cycle that will contribute to macroeconomic stability, enhanced delivery of public services, and improved accountability across revenue collection and expenditure management.

22. Several legislations have been enacted to strengthen the legal framework for the implementation of the PFM reforms and to improve transparency and accountability in public financial management including the Public Financial Management Act, 2016 and the accompanying PFM Regulations, 2017; the Revised Public Procurement Regulations, 2018.

23. In addition, Government has also embarked on a number of PFM reforms including (i) conducting a Public Investment Management Assessment (PIMA) to assess the quality of infrastructure governance at all levels of economic development; (ii)) operationalized and broadened the coverage of the Treasury Single Account (TSA) to five additional Agencies; (iii) rolled-out the Integrated Financial Management Information System (IFMIS) to 57 MDAs; (iv) developed an Electronic Expenditure Management System (EEMS) to facilitate seamless and paperless transfer of payments to the Bank of Sierra Leone; (v) conducted a Public Expenditure Tracking Survey to ascertain how much of the funds released for education, health and agriculture in 2017 and 2018 reached frontline service delivery facilities, and ascertain leakages (if any); (vi) reconstituted the Independent Procurement Review Panel (IPRP) to improve on accountability and transparency in the procurement process; (vii) enhanced payroll management including biometric verification of all public sector workers to ensure the integrity and stability of the payroll; and (viii) established internal audit committee in the Ministries, Department and Agencies to follow up on the implementation of the recommendations of the Auditor-General on the audit outcomes on annual public Accounts.

Conclusion

24. Mr. President, the Government has taken bold measures to mitigate the socio-economic impact of the coronavirus pandemic on the population. While progress is being made in the implementation of the QAERP, there is still a financing gap, which needs to be covered to fully implement the QAERP and achieve the related programme objectives.

25. Your approval of this request, therefore, will enable Government to effectively implement the QAERP and the Health Sector Preparedness Response Plan, which will not only help in containing the spread of COVID-19 but also mitigate the impact of the disease on households and businesses thereby saving lives and livelihoods.

26. Please, accept, Mr. President, the assurances of our highest consideration,

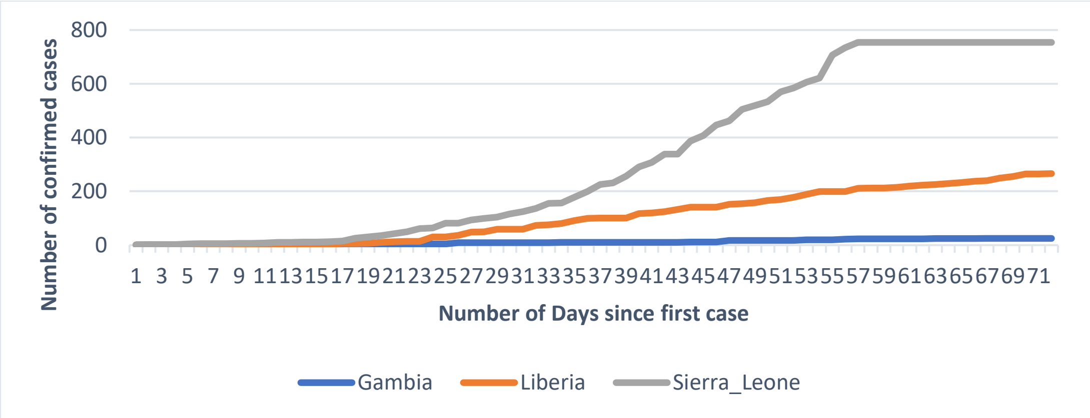
Saffa

Jacob Jusu Saffa
Minister of Finance

APPENDIX 5: SUMMARY OF KEY DATA ON THE HEALTH SECTOR OF THE GAMBIA, LIBERIA AND SIERRA

Table 1: Selected Health Indicators				
	The Gambia	**Liberia**	**Sierra Leone**	**Sub Saharan Africa**
Current health expenditure (% of GDP)	3	8	13	5
Out-of-pocket expenditure (% of current health expenditure)	22	46	50	36
External health expenditure (% of current health expenditure)	42	29	19	11
Maternal mortality ratio (modeled estimate, per 100,000 live births)	597	661	1120	534
Incidence of tuberculosis (per 100,000 people)	174	308	298	231
Life expectancy at birth, (years)	62	64	54	
Hospital beds per 10,000persons	11	8	4	
Nurses per 10,000 persons	16	5	2	

Chart 1: Cumulative Number of Confirmed Cases



Note: the low trend of cases in Gambia may be an indication of low testing capacity and not necessarily low infection rates. Sierra Leone invests more reourced in health (as shown in figure 2 below) and has better epidemic surveillance, infection prevention and control systems hence able to detect more cares, their growth infection rate may not necessarily imply more infection but ability to test coronavirus disease.

Chart2: Current health expenditure (% of GDP)