



# Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 30-Oct-2018 | Report No: PIDC25578

**BASIC INFORMATION****A. Basic Project Data**

Country Sierra Leone	Project ID P168259	Project Name Sierra Leone - Second Productivity and Transparency Support Credit (P168259)	Parent Project ID (if any) P156651
Region AFRICA	Estimated Board Date Dec 07, 2018	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Republic of Sierra Leone	Implementing Agency Ministry of Agriculture Forestry and Food Security, Ministry of Energy, Ministry of Basic and Secondary Education, Ministry of Fisheries, Anti-corruption Commission		

**Proposed Development Objective(s)**

The main objective of the DPO is to achieve sustainable and inclusive economic development by: (i) increasing productivity in selected economic sectors and (ii) improving transparency in selected government decision making processes.

**Financing (in US\$, Millions)****SUMMARY**

<b>Total Financing</b>	30.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	30.00
World Bank Lending	30.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context****Country Context**

1. **After recovering in 2016 from the twin shocks of the Ebola Virus Disease (EVD) epidemic and collapse of iron exports, Sierra Leone's economy witnessed a sharp moderation in growth in 2017.** Economic growth remains volatile due to a lack of economic diversification and a dependence on the mining sector. Macroeconomic imbalances also worsened in 2017 with elevated levels of fiscal deficit and rising debt, inflationary pressure, a fragile banking system, and



widening current account deficits. Economic growth moderated to 3.8 percent in 2017 from 6.3 percent in 2016 reflecting a weak recovery of mineral production, particularly iron ore. Industry, dominated by iron ore mining, was subdued, reflecting low commodity prices, higher domestic prices of energy (fuel and electricity), and lower investment. Excluding iron ore, the economy grew by only 3.6 percent in 2017, compared to 4.3 percent in 2016, due largely to a slowdown in construction. Weak aggregate demand continued to weigh on non-iron ore growth as private consumption contracted in 2017 reflecting high consumer prices and exchange rate depreciation. Inflationary pressures eased in 2017 although the rate remained high, declining from 17.4 percent in 2016 to 15.3 percent due partly to the tight monetary policy stance of the Bank of Sierra Leone (BSL). The overall budget deficit, including grants, widened to 8.6 percent of Gross Domestic Product (GDP), compared to the target of 5.9 percent of GDP, reflecting a shortfall in revenue mobilization and spending overruns in major expenditure categories. The external position remained weak as the trade accounts worsened and current account deficit widened from 3.5 percent in 2016 to 10.9 percent of GDP in 2017.

2. **The macroeconomic policy framework is considered adequate.** The new Government elected in March 2018 has implemented robust macroeconomic policies that have facilitated gradual adjustments towards stabilizing the economy and strengthening economic resilience and growth. To correct the fiscal slippages that occurred in the last two years (2016 and 2017) and rebuild credibility, the new Government upon assuming office immediately issued Executive Orders to enhance revenue mobilization and rationalize expenditures. Monetary policy has been tightened to reduce high inflation, maintain financial stability and contain external imbalance. The Government has negotiated a new program with the International Monetary Fund (IMF) to improve debt sustainability, reduce inflation, and strengthen accumulation of international reserves. Beyond macroeconomic stabilization, the authorities launched free quality education programme to rebuild human capital, declared war on corruption and appointed a new anti-corruption Commissioner and rolled out pro-poor growth reforms in agriculture and fisheries with the aim of diversifying the economy. At the same time, the Government was focused on efficient management of public funds and reducing fiscal leakages through increased transparency and accountability.

#### Relationship to CPF

3. **The proposed PTSC series is fully consistent with the Joint Assistance Strategy (JAS) prepared in collaboration with the AfDB and the International Finance Corporation and discussed by the Board on April 6, 2010.** A Country Assistance Strategy (CAS) Progress Report prepared in 2012 emphasizes the importance of Development Policy Financing (DPF) to the World Bank's continued engagement in Sierra Leone and introduces a third pillar on Natural Resources Management in addition to the JAS two pillars on Human Development and Promoting Inclusive Growth. Other World Bank operations in agriculture, fisheries, minerals sector, and governance are linked to the proposed series and provide valuable support through Technical Assistance. A new Country Partnership Framework (FY18-21) is under preparation to support the proposed new national development plan (PRSP-IV). The Systematic Country Diagnostic (SCD) (2018) emphasized the criticality of addressing the fiscal challenges as well as boosting productivity in agriculture, manufacturing, and services to promote inclusive growth and poverty reduction. It also emphasizes the need to improve overall governance to build resilience and improve overall service delivery.

### C. Proposed Development Objective(s)

4. **The main objective of the DPO is to achieve sustainable and inclusive economic development by: (i) increasing productivity in selected economic sectors and (ii) improving transparency in selected government decision making processes.**



## Key Results

5. **The aim goal of the operation is to achieve sustainable and inclusive economic growth.** In the agriculture sector, transformative interventions driven by greater private sector participation combined with improved agricultural extension services are expected to introduce productivity enhancing crop technologies to increase crop yields and improve household incomes. In the fisheries sector, the overall goal is to generate value addition and jobs, ensure food security, and increase exports, while maintaining sustainability. In addition, increased access to and improved quality of electricity as well as skills development will boost productivity growth. At the same time, efficient management of public funds and reduced fiscal leakages through increased transparency and accountability are expected to improve public service delivery and promote economic growth

## D. Concept Description

6. **The proposed operation is the second in a programmatic series of three operations to support the implementation of the Government's priorities articulated in the "New Direction Manifesto" and the forthcoming PRSPIV (2019 – 2023).** The proposed operation covers six policy areas namely: agriculture (including fisheries and land), energy, education, extractives, public financial management (TSA and e-procurement), and asset disclosure. These areas are consistent with the Government's "New Direction Manifesto", the forthcoming PRSPIV (2019 – 2023) as well as the findings of the SCD (2018). The design of the series has incorporated lessons from previous development policy operations including the first operation under this series (PTSC-I). The program will focus on a limited number of transformational structural reforms necessary for boosting productivity, unlocking inclusive growth, and diversifying the economy. Transparency and accountability issues were mainstreamed into the framework for the main productive sectors as well as in education.

## E. Poverty and Social Impacts and Environmental Aspects

### Poverty and Social Impacts

**The poverty and social impact assessment (PSIA) of most policy measures supported under the proposed DPO series (PTSC-II) are expected to be largely positive.** Reforms to boost productivity are also expected to have a significant positive impact on poverty reduction in Sierra Leone. The reforms in agriculture and fisheries could also have positive impacts on food security and the prevalence of malnutrition by increasing the provision of micronutrients, including protein, to the population and reducing the country's vulnerability to food price shocks. Reforms to enhance transparency through the Treasury Single Account (TSA), Asset Disclosure and the Extractive Industry Revenue Law are expected to be positive. However, preliminary results from the PSIA on fuel price liberalization, supported under energy reforms in Pillar I, indicate that the reform is likely to have a short term negative impact on poverty although this is largely mitigated by the launch of the free education program.

### Environmental Impacts

7. **Most of the policy measures supported by the proposed operation are expected to have neutral-to-positive environmental impact.** Reforms in agriculture and fisheries are expected to have largely positive effects on the environment. For example, reinforcement of the fishing monitoring system is expected to reduce illegal fishing while the fertilizer and seed laws will enhance the quality of fertilizer and seeds. The Environment Protection Agency (EPA) in Sierra Leone also ensures that routine monitoring and inspections exercises are undertaken to enhance transparency and accountability in the protection and management of the environment and use of the natural resources.



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#### APPROVAL

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#### Approved By

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