

Document of
The World Bank

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Report No.: PAD1394

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL FINANCING

CONSISTING OF

AN ADDITIONAL GRANT FROM IDA

IN THE AMOUNT OF SDR 7.2 MILLION
(US\$10 MILLION EQUIVALENT)

AND AN

ADDITIONAL GRANT FROM
THE EBOLA RECOVERY AND RECONSTRUCTION TRUST FUND

IN THE AMOUNT OF US\$4.3 MILLION

TO THE

REPUBLIC OF SIERRA LEONE

FOR THE

SOCIAL SAFETY NETS PROJECT

July 23, 2015

Social Protection and Labor
Africa

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CURRENCY EQUIVALENTS
(Exchange Rate Effective June 30, 2015)

Currency Unit = Sierra Leonean leone (Le)
Le 4,200 = US\$1
US\$1.410639 = SDR 1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|--------|--|
| ACC | Anti-Corruption Commission |
| AF | Additional Financing |
| DA | Designated Account |
| DFID | U.K. Department for International Development |
| EERP | Ebola Emergency Response Project |
| ERRTF | Ebola Recovery and Reconstruction Trust Fund |
| EVD | Ebola Virus Disease |
| FM | Financial Management |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GoSL | Government of Sierra Leone |
| GRM | Grievance Redress Mechanism |
| GRS | Grievance Redress Service |
| IFRs | Interim Financial Reports |
| JCAS | Joint Country Assistance Strategy |
| LCA | Local Currency Account |
| M&E | Monitoring and Evaluation |
| MIS | Management Information System |
| NaCSA | National Commission for Social Action |
| PDO | Project Development Objective |
| PMT | Proxy Means Test |
| RE-SSN | Rapid Ebola-Social Safety Net |
| RSR | Rapid Social Response |
| SLIHS | Sierra Leone Integrated Household Survey |
| SP | Social Protection |
| SPRINT | Social Protection Registry for Integrated National Targeting |
| SSN | Social Safety Net |
| TSC | Technical Steering Committee |
| UNICEF | United Nations Children's Fund |

| | |
|----------------------------------|---------------------|
| Regional Vice President: | Makhtar Diop |
| Country Director: | Henry Kerali |
| Senior Global Practice Director: | Arup Banerji |
| Practice Manager: | Stefano Paternostro |
| Task Team Leader: | Nina Rosas Raffo |

SIERRA LEONE
Social Safety Nets Project Additional Financing (P154454)

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ADDITIONAL FINANCING DATA SHEET

Sierra Leone

Social Safety Nets Additional Financing (P154454)

AFRICA

GSPDR

| Basic Information - Parent | | | | | | | | | |
|--|---------------------|---|------------------|------------------------|--------------------|-----------------------|----------------------|-------------|-------------|
| Parent Project ID: | P143588 | Original EA Category: | C - Not Required | | | | | | |
| Current Closing Date: | 30-Sep-2017 | | | | | | | | |
| Basic Information - Additional Financing | | | | | | | | | |
| Project ID: | P154454 | Additional Financing Type (from AUS): | Scale Up | | | | | | |
| Regional Vice President: | Makhtar Diop | Proposed EA Category: | C - Not Required | | | | | | |
| Country Director: | Henry Kerali | Expected Effectiveness Date: | 15-Dec-2015 | | | | | | |
| Senior Global Practice Director: | Arup Banerji | Expected Closing Date: | 30-Jun-2019 | | | | | | |
| Practice Manager/Manager: | Stefano Paternostro | Report No.: | PAD1394 | | | | | | |
| Team Leader(s): | Nina Rosas Raffo | | | | | | | | |
| Borrower | | | | | | | | | |
| Organization Name | Contact | Title | Telephone | Email | | | | | |
| Republic of Sierra Leone | Adams Kargbo | Ag. Coordinator, Integrated Project Administration Unit, Ministry of Finance and Economic Development | 232-76-614710 | adamsk_23222@yahoo.com | | | | | |
| Project Financing Data - Parent (Sierra Leone Safety Nets Project-P143588) (in USD Million) | | | | | | | | | |
| Key Dates | | | | | | | | | |
| Project | Ln/Cr/TF | Status | Approval Date | Signing Date | Effectiveness Date | Original Closing Date | Revised Closing Date | | |
| P143588 | IDA-H9250 | Effective | 25-Mar-2014 | 14-Apr-2014 | 29-Aug-2014 | 30-Sep-2017 | 30-Sep-2017 | | |
| Disbursements | | | | | | | | | |
| Project | Ln/Cr/TF | Status | Currency | Original | Revised | Cancelled | Disbursed | Undisbursed | % Disbursed |
| P143588 | IDA-H9250 | Effective | XDR | 4.60 | 4.60 | 0.00 | 1.40 | 3.20 | 30.46 |

| Project Financing Data - Additional Financing Social Safety Nets Additional Financing (P154454) (in USD Million) | | | | | |
|---|---------------------------------|--------------------------------------|-----------------------|-------------------------------------|---------------|
| <input type="checkbox"/> | Loan | <input checked="" type="checkbox"/> | Grant | <input checked="" type="checkbox"/> | IDA Grant |
| <input type="checkbox"/> | Credit | <input type="checkbox"/> | Guarantee | <input type="checkbox"/> | Other |
| Total Project Cost: | | 15.80 | Total Bank Financing: | | 10.00 |
| Financing Gap: | | 0.00 | | | |
| Financing Source - Additional Financing | | | | | Amount |
| BORROWER/RECIPIENT | | | | | 1.50 |
| IDA Grant | | | | | 10.00 |
| Ebola Recovery and Reconstruction Trust Fund | | | | | 4.30 |
| Total | | | | | 15.80 |
| Policy Waivers | | | | | |
| Does the project depart from the CAS in content or in other significant respects? | | | | | No |
| Explanation | | | | | |
| Does the project require any policy waiver(s)? | | | | | No |
| Explanation | | | | | |
| Team Composition | | | | | |
| Bank Staff | | | | | |
| Name | Role | Title | Unit | | |
| Nina Rosas Raffo | Team leader (ADM responsible) | Social Protection Specialist | GSPDR | | |
| Richard Olowo | Procurement Specialist | Lead Procurement Specialist | GCFDR | | |
| Sydney Godwin | Financial Management Specialist | Financial Management Specialist | GGODR | | |
| Abu Kargbo | Team member | Operations Officer | GSPDR | | |
| Andrea Martin | Team member | Consultant | GSPDR | | |
| Christine Makori | Counsel | Senior Counsel | LEGAM | | |
| Donald Herrings Mphande | Team member | Lead Financial Management Specialist | GCFDR | | |
| Gloria Malia Mahama | Safeguards Specialist | Social Development Specialist | GSURR | | |
| Mauro Testaverde | Team member | E T Consultant | GSPDR | | |
| Samantha Zaldivar | Team member | Consultant | GSPDR | | |
| Suleiman Namara | Team member | Senior Social Protection Economist | GSPDR | | |
| Gerard Jumamil | Team member | E T Consultant | LEGAM | | |
| Maiada Kassem | Team member | Finance Officer | WFALA | | |

| Locations | | | | | |
|--|---|-------------------|--------------------------|--------------------------|-----------------|
| Country | First Administrative Division | Location | Planned | Actual | Comments |
| Sierra Leone | Western Area | Western Area | X | – | – |
| Sierra Leone | Southern Province | Southern Province | X | – | – |
| Sierra Leone | Northern Province | Northern Province | X | – | – |
| Sierra Leone | Eastern Province | Eastern Province | X | – | – |
| Institutional Data | | | | | |
| Parent (Sierra Leone Safety Nets Project-P143588) | | | | | |
| Practice Area (Lead) | | | | | |
| Social Protection & Labor | | | | | |
| Contributing Practice Areas | | | | | |
| Cross Cutting Topics | | | | | |
| [] Climate Change | | | | | |
| [] Fragile, Conflict & Violence | | | | | |
| [] Gender | | | | | |
| [] Jobs | | | | | |
| [] Public Private Partnership | | | | | |
| Sectors / Climate Change | | | | | |
| Sector (Maximum 5 and total % must equal 100) | | | | | |
| Major Sector | Sector | % | Adaptation Co-benefits % | Mitigation Co-benefits % | |
| Health and other social services | Other social services | 56 | – | – | |
| Health and other social services | Health | 17 | – | – | |
| Education | Primary education | 17 | – | – | |
| Public administration, law, and justice | Public administration-Other social services | 10 | – | – | |
| Total | | 100 | | | |
| Themes | | | | | |
| Theme (Maximum 5 and total % must equal 100) | | | | | |
| Major theme | Theme | % | | | |
| Social protection and risk management | Social Safety Nets/Social Assistance & Social Care Services | 67 | | | |
| Social protection and risk management | Social Protection and Labor Policy & Systems | 33 | | | |
| Total | | 100 | | | |

| Additional Financing Social Safety Nets Additional Financing (P154454) | | | | |
|---|--|-----|--------------------------|--------------------------|
| Practice Area (Lead) | | | | |
| Social Protection & Labor | | | | |
| Contributing Practice Areas | | | | |
| – | | | | |
| Cross Cutting Topics | | | | |
| [] Climate Change | | | | |
| [X] Fragile, Conflict & Violence | | | | |
| [X] Gender | | | | |
| [] Jobs | | | | |
| [] Public Private Partnership | | | | |
| Sectors / Climate Change | | | | |
| Sector (Maximum 5 and total % must equal 100) | | | | |
| Major Sector | Sector | % | Adaptation Co-benefits % | Mitigation Co-benefits % |
| Public administration, law, and justice | Public administration- Other social services | 10 | – | – |
| Education | Primary education | 17 | – | – |
| Health and other social services | Health | 17 | – | – |
| Health and other social services | Other social services | 56 | – | – |
| Total | | 100 | | |
| Themes | | | | |
| Theme (Maximum 5 and total % must equal 100) | | | | |
| Major theme | Theme | % | | |
| Social protection and risk management | Social Safety Nets/Social Assistance & Social Care Services | 67 | | |
| Social protection and risk management | Social Protection and Labor Policy & Systems | 33 | | |
| Total | | 100 | | |
| Consultants (Will be disclosed in the Monthly Operational Summary) | | | | |
| Consultants Required? Consultants will be required | | | | |

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional IDA grant in an amount of SDR 7.2 million (US\$10 million equivalent) to the Republic of Sierra Leone for the Social Safety Nets (SSN) Project. This additional IDA grant will be co-financed by a Grant in an amount of US\$4.3 million from the Ebola Recovery and Reconstruction Trust Fund (ERRTF) (collectively, Additional Financing). The proposed additional financing (AF) was requested by the government of Sierra Leone on February 27, 2015. The proposed AF would support the government's poverty reduction strategy, the 'Agenda for Prosperity', and the Ebola virus disease (EVD) recovery plan by helping to finance the scale up of the cash transfer program, with a strong focus on continued systems building and institutional strengthening. The proposed AF would maintain the original project development objective (PDO), which is to establish the key building blocks for a basic national safety net system and to provide income support to extremely poor households in Sierra Leone. The closing date of the parent project will be extended to June 30, 2019.

2. The proposed AF meets the criteria of an emergency operation under paragraph 12 of OP 10.00 (Projects in Situations of Urgent Need of Assistance or Capacity Constraints). First, beyond the direct health effects of the EVD outbreak, measures to prevent the spread of the disease and behavioral responses are having large indirect effects on household welfare, particularly among the poorest. Second, the country faces severe constraints in its capacity to deliver basic social services, including social safety nets, which has been exacerbated by the EVD crisis. On March 9, 2015, the Country Director approved the request to apply paragraph 12 of OP 10.00 and the Condensed Procedures for Project Preparation.

II. Background and Rationale for Additional Financing

A. Country Context

3. The EVD crisis is occurring in a context of high poverty and food insecurity. Sierra Leone is a post-conflict country that has experienced strong growth over the last decade, yet nearly half of the population remains poor. Before the outbreak, the country had been on a recovery path since emerging from a decade-long civil war in 2002, averaging 5.8 percent annual per capita growth between 2003 and 2011. Despite this growth, in 2011, more than half (53 percent) of the country's 6 million inhabitants remained below the poverty line and nearly 1 million (14 percent) were extremely poor. Although poverty reduction over this period was higher outside the capital, Freetown, poverty in Sierra Leone remains disproportionately rural, with 78 percent of the poor living in rural areas. In addition to high levels of poverty, a large number of Sierra Leoneans face food insecurity and are exposed to shocks. According to the World Food Program, before the crisis, almost half (45 percent) of households or 2.5 million people experienced food insecurity during the lean season.

4. The EVD crisis is threatening recent gains in poverty reduction, while the country lacks adequate safety nets to protect the poorest. Sierra Leone has reported the highest number of cases of any country, with 12,901 cases and 3,915 deaths as of June 7, 2015.¹ The crisis reduced the

¹ Source: WHO Situation Report dated June 10, 2015 and available at <http://apps.who.int/ebola/en/current-situation>.

country's growth in 2014 to 4 percent from the expected 11.3 percent before the outbreak. Recent estimates from high-frequency cell phone surveys indicate significant declines in employment, high food insecurity, and reduced utilization of services which could potentially affect long-term household well-being. Food insecurity also continues to be stubbornly high throughout the country, with over a half (53 percent) of the households taking at least one negative coping measure (e.g., reducing meals). Since the start of the outbreak, the employment rate declined significantly in urban areas (7 percentage points)—particularly among the non-farm self-employed—and impacts on the agricultural sector could still emerge. There is also evidence of a decrease in utilization of non-EVD health services with a lower proportion of women in Freetown receiving post-natal care. While the crisis is affecting households of all income levels, the poorest are most likely to suffer given their limited ability to meet basic consumption needs prior to the outbreak and limited access to safety nets. Yet, coverage of safety nets remains low and many existing programs face high leakage and inefficient administration, revealing the need for scale up based on systems.

B. Sectoral and Institutional Context

5. Before the EVD outbreak, the country was making important strides toward reducing fragmentation, duplication, and leakage in the social protection (SP) sector. In 2011, the cabinet approved a national SP policy that defined specific outcomes, prioritized interventions for the sector, and called for analytical work to rationalize safety nets spending and expansion. In 2013, the government of Sierra Leone (GoSL), with the support of the World Bank, completed an SP Assessment to inform the implementation of the SP policy. The assessment recommended that the government focus on three main programs—including cash transfers to very poor households—and on establishing systems to increase the cost-effectiveness and improve coordination between the actors implementing SP and related programs. To implement these recommendations, the SP Secretariat was established in 2013 within the National Commission for Social Action (NaCSA) to lead the development of common SP systems and enhance policy coordination. National coordination mechanisms have since been established and are functioning regularly, namely, (i) the SP Inter-Agency Forum, chaired by the Office of the President and composed of ministers; and (ii) the SP Technical Steering Committee (TSC), composed of technical directors from key sector ministries. The sector has moved toward a more coordinated approach through these mechanisms, including through strong participation in the establishment of the SP systems.

6. The systems and coordination mechanisms supported by the SSN Project allowed the government to be responsive toward mitigating the socioeconomic impacts of the crisis. In February 2015, the government introduced the Rapid Ebola-Social Safety Net (RE-SSN) to reach highly affected districts beyond SSN coverage with financing from the Ebola Emergency Response Project (EERP) and technical support from the Bank and the United Nations Children's Fund (UNICEF). The RE-SSN provides cash transfers to 9,000 extremely poor, Ebola-affected households in the six districts with the highest Ebola caseloads that were not already covered by the SSN Project. While the RE-SSN is envisaged as an intensive intervention of short duration (nine months) to protect extremely poor households in the context of the EVD outbreak, its design acknowledges that the impacts of the EVD will be long-lasting and necessitate longer-term support for some of these households. The EVD outbreak has increased attention both internally and from external partners on what was already a pressing need to

expand coverage of SP interventions. Therefore, while the crisis has provided an opportunity to garner more resources for safety nets, successful scale up will require continued strengthening of coordination, capacity, and systems.

7. **Project background.** The original SSN Project is financed by an IDA grant in the amount of SDR 4.6 million (US\$7 million equivalent). The SSN Project was approved by the Board of Executive Directors on March 25, 2014 and became effective on August 29, 2014. The development objective is to establish the key building blocks for a basic national safety net system and to provide income support to extremely poor households in Sierra Leone. The SSN Project is implemented by NaCSA and has three components: (1) Development of Systems for Implementation of Social Safety Net Interventions (US\$1.2 million); (2) Cash Transfers to Extremely Poor Households (US\$3.6 million); and (3) Project Management and Capacity Building (US\$2.2 million). The project has counterpart funding from the government (US\$1 million) to support Component 2 and parallel funding from UNICEF (US\$0.3 million) to support the grievance redress mechanism (GRM) and anticorruption measures under Component 1.

8. **Current project performance.** Despite the challenges associated with the EVD, the SSN Project is on track to achieve its objectives. The project has operationalized many of the key systems elements supported under Component 1, namely (i) the three-stage targeting tools (geographical targeting, community-based targeting, and verification through a proxy means test (PMT)); (ii) the management information system (MIS) and integrated registry, the SP Registry for Integrated National Targeting (SPRINT); (iii) related operational tools, including electronic data collection; (iv) the electronic payments system; and (v) basic grievance and anti-corruption measures. Using these systems, close to 15,000 potential beneficiaries have been identified for inclusion in the SPRINT.

9. The SSN Project has enrolled approximately 11,700 beneficiary households, representing 97 percent of the Project target, into the cash transfer program supported under Component 2 as of July 10, 2015. The first round of approximately 2,700 beneficiaries who were enrolled in February began receiving payments in March 2015, with nearly US\$250,000 transferred as of June 30, 2015. The second round of approximately 9,000 beneficiaries were enrolled in June-July 2015 and will begin receiving payments in September 2015. The remaining beneficiaries are expected to be enrolled by the end of 2015. Rapid development and deployment of systems was made possible by the close collaboration between key implementing partners, NaCSA, Statistics Sierra Leone, the National Registration Secretariat, and the Anti-Corruption Commission (ACC), as well as by complementary support from the Rapid Social Response (RSR) Multi-donor Trust Fund.

10. Beyond successfully rolling out the basic systems and the cash transfers, the SSN Project has made significant progress in institutional strengthening and played a role in the EVD emergency response under Component 3. Staffing for all but one position in the SP Secretariat and NaCSA central and field offices has been completed and the MIS equipment for the SP Secretariat, NaCSA central and field offices, and key sector ministries has been procured. The SSN Project has strengthened coordination through support for regular sessions of the SP Inter-Agency Forum and the SP TSC, the highest levels of policy coordination. Due to this enhanced coordination, more resources for safety nets in response to the EVD have been mobilized including from: (i) the EERP for short-term cash transfers (US\$4 million); and from (ii) the

ERRTF, for the proposed AF (US\$4.3 million), and for labor-intensive public works (US\$3 million). The SSN Project has also supported the EVD response through community mobilization to prevent the spread of the disease and through collection of high-frequency cell phone data to measure its socioeconomic impact. As such, the project has been rated as Satisfactory on both progress toward achievement of the PDO and implementation progress for the past seven months.

11. **Status of disbursement and legal covenants.** The SSN Project has disbursed US\$1.9 million as of July 13, 2015. This represents 31 percent of the original amount and disbursement is accelerating with the delivery of cash transfers, which commenced in March 2015.² As expected, 25 percent of the government counterpart funding of US\$1 million has been appropriated in the 2015-2016 budget. Of the government funds, US\$20,000 has been transferred to NaCSA with the remainder expected to be transferred in the next quarters in line with the delivery of cash transfers. The project is in full compliance with legal covenants.

12. **Procurement.** NaCSA relies on a mainstream procurement unit to undertake procurement for the SSN Project by following the Bank's procurement and consultants guidelines. During the appraisal stage for the original SSN Project, the Bank conducted a detailed assessment of the NaCSA's capacity to implement procurement actions using the Bank's Procurement Risk Assessment System. Based on this assessment, mitigation measures were undertaken during the original project preparation of the original SSN project, namely (i) building procurement staff's skills in the application of the principles behind the current Bank procurement guidelines; and (ii) preparing a detailed Operational Manual with clear procurement actions, roles, and responsibilities. Additional procurement staff have been recruited under the SSN Project to support the workload of the existing NaCSA procurement team.

13. **Financial management (FM).** During the appraisal of the original SSN Project, an FM Assessment of the existing systems at NaCSA was conducted. The assessment concluded that the systems at the time were capable of supporting the implementation of the proposed project in accordance with the requirements of OP 10.00 and satisfied the minimum requirements under the policy to be in a position to (i) enable the preparation of timely and accurate financial reports; (ii) secure project assets and resources; (iii) ensure that funds are properly managed and flow smoothly, adequately, regularly and predictably to all implementing entities; and (iv) enable NaCSA to monitor efficient project implementation. The recommended mitigation measures that were undertaken during preparation of the original SSN Project included: (i) strengthening the internal audit system of NaCSA; (ii) training staff in the SUN accounting system; and (iii) preparing an Audit Manual. In addition, the arrangements for budgeting, accounting and financial reporting; internal audit and control; funds flow and disbursements; and external audit assurance were deemed adequate. Additional FM staff have been recruited under the SSN Project to support the workload of the existing NaCSA FM team.

14. **Rationale for the AF.** The rationale for the AF is fivefold. First, even before the outbreak, there was a clear need for expansion of safety nets to achieve adequate coverage of the extremely poor. While the parent project finances the largest ongoing safety net program in the

² Of this, approximately US\$1.4 million is documented disbursement due to the lumpy nature of the cash transfers.

country, it currently targets 12,000 households which represent only about 10 percent of the total estimated number of extremely poor households. Second, the EVD crisis has substantially increased the need for safety nets and risks, reversing the recent trends in poverty reduction. In particular, both the RE-SSN and original SSN beneficiaries are expected to require additional support to prevent worsening of poverty status and human development outcomes in the longer term. Third, by relying on the existing institutional mechanisms and emerging capacity, the proposed AF would help build the country's capacity to deliver the social safety nets. NaCSA has a long history of implementing government SP projects and has gained significant administrative capacity to deliver social safety nets using well-grounded operational and monitoring systems and to lead coordination in the current EVD context.³ Fourth, given the heightened need due to the EVD crisis and growing number of actors in the sector, the AF would enhance the potential for expansion of safety net coverage in the country while helping to consolidate the government's recent efforts to build a coherent SP system. Finally, the AF is expected to complement the health priorities set by the government as part of the country's recovery and transition plan. In fact, the proposed activities have the potential to relieve demand-side constraints for households to access health services, thereby contributing to the transition plan's objective of restoring basic health services.

15. The proposed activities are aligned with the government's draft post-EVD recovery strategy and medium-term poverty reduction strategy which highlight the need to expand coverage of existing safety nets and build resilience against future shocks. While the preparation of the new Country Partnership Framework is underway, the AF is also fully in line with the most recent Joint Country Assistance Strategy (JCAS) covering 2010–2013. The JCAS is organized around two pillars: growth and human development. The proposed AF contributes to both pillars, particularly through better management of socioeconomic risk and improved household consumption. It also contributes to more transparent and effective SP spending which can enhance the sector's potential to reduce poverty and to promote inclusive growth. The JCAS also highlights risks to social stability which the proposed project helps mitigate by increasing opportunities for poor households to participate in economic growth, thereby potentially contributing to social cohesion.

16. **Alternative sources of financing.** Discussions have been held with the government and donors regarding additional contributions and financing arrangements. The U.K. Department for International Development (DFID) participated in the appraisal mission and has signed an Administrative Agreement with the Bank, indicating its intention to provide a financial contribution to scale up cash transfers using the ERRTF to channel the resources. On July 13, 2015 the Bank received the first tranche in the amount of approximately US\$3.1 million, with the second and final tranche expected in September 2015. The government remains committed to the SSN Project and during appraisal confirmed that in addition to transferring the full US\$1 million in counterpart funds provided for the parent project, it will provide an additional US\$1.5 million as counterpart funding to the AF to support the SSN Project scale up. While there is some potential to create fiscal space in the longer term—for instance, through phase out of costly

³ In addition to the SSN, this includes interventions to provide cash transfers to: (i) youth, conditional on participation in public works under the Youth Employment Support Project and (ii) poor, Ebola-affected households under the EERP.

and regressive indirect fuel subsidies—it is currently not possible to further increase government funding as the country is facing severe resource constraints due to the EVD crisis. In sum, given the overwhelming and urgent need to scale up safety nets and limited external resources, the AF is the most appropriate financing mechanism to ensure successful scale up of the SSN activities and could help attract donor financing for the expansion of a government-led coherent SP system.

III. Proposed Changes

17. **PDO and results framework.** The proposed AF maintains the original PDO, which is to establish the key building blocks for a basic national safety net system and to provide income support to extremely poor households in Sierra Leone; however, some targets in the results framework are being revised in line with the scale up (see annex 1).

18. **Changes to components.** No new activities or components are envisaged. The proposed AF would finance scale up of all three components (see annex 3 for detailed description of the components). Specifically, the additional grant will finance (i) scale up of SP systems elements under Component 1, namely costs related to expansion of operational systems (targeting and enrollment, payments, and GRM) to five new districts (see paragraph 19 below); (ii) an increase in the monthly transfer size from US\$15 to US\$30 equivalent in the immediate recovery period (6-9 months) in line with the RE-SSN transfer amount; (iii) an extension of the payment horizon for the original 12,000 beneficiaries to ensure coverage for a minimum of three years; (iv) cash transfers to 10,000 additional beneficiaries in the immediate recovery period (6-9 months) in the four original SSN districts (Bombali, Kono, Moyamba, and Western Rural); (v) cash transfers to an additional 7,000 beneficiaries in the five new districts; (vi) expansion of complementary workshops under Component 2; and (vii) additional program management and institutional capacity building activities under Component 3, namely additional staff and additional time of their employment, equipment, training or knowledge events and operating expenses for efficient project implementation, monitoring and evaluation (M&E), and coordination in the five new districts, and extension of these activities in the existing districts up to the new closing date. Table 1 summarizes these changes.

Table 1: Proposed Changes by Component

| Component | Proposed change |
|--|--|
| Component 1 (Development of Systems for Implementation of Social Safety Net Interventions) | Costs of operationalizing targeting and enrollment, payments, and GRM systems in five new districts and expansion of existing systems in four original districts |
| Component 2 (Cash Transfers to Extremely Poor Households) | Cash grants and complementary workshops in additional beneficiary households; additional cash grants (higher transfer amount in the short term and longer duration) to existing beneficiary households |
| Component 3 (Project Management and Capacity Building) | Additional staff and additional time of their employment, equipment, training and coordination events, operational expenses in five new districts, and continued activities in existing districts |

19. **Closing date extension.** The AF will extend the closing date of the original SSN Project from September 30, 2017 to June 30, 2019 to align with the AF closing date in order to accommodate the co-mingling of funds.

20. **Geographical coverage.** The proposed AF would expand the cash transfer program to five of the six districts where the RE-SSN operates: Bo, Kenema, Kailahun, Port Loko, and Tonkolili. Western Urban will not be covered by the AF, as it is the district with lowest incidence of extreme poverty in the country. The AF will also expand coverage of beneficiaries within the original four project districts to provide cash transfers during the immediate recovery period (6-9 months).

Summary of Proposed Changes

The proposed AF would support the scale up of existing project activities as part of the government's Ebola recovery efforts and medium-term poverty reduction strategy; no new components or activities are envisaged. Specifically, the proposed AF would help finance the scale up of the cash transfer program in five additional districts with a strong focus on continued systems building and institutional strengthening. The AF will also expand coverage of beneficiaries within the original four project districts to provide cash transfers during the immediate recovery period (6-9 months). The PDO remains unchanged and there are no anticipated changes to implementation arrangements, including FM and procurement or new safeguards policies triggered. The DFID co-financing constitutes a new source of funding under the AF and will be channeled through the ERRTF. Under the AF, the IDA and ERRTF resources will be co-mingled and will flow into a single DA. The changes to the funds flow and disbursement arrangements are described in Annex 4.

| | |
|--|------------------|
| Change in Implementing Agency | Yes [] No [X] |
| Change in Project's Development Objectives | Yes [] No [X] |
| Change in Results Framework | Yes [X] No [] |
| Change in Safeguard Policies Triggered | Yes [] No [X] |
| Change of EA category | Yes [] No [X] |
| Other Changes to Safeguards | Yes [] No [X] |
| Change in Legal Covenants | Yes [] No [X] |
| Change in Loan Closing Date(s) | Yes [X] No [] |
| Cancellations Proposed | Yes [] No [X] |
| Change in Disbursement Arrangements | Yes [X] No [] |
| Reallocation between Disbursement Categories | Yes [X] No [] |
| Change in Disbursement Estimates | Yes [X] No [] |
| Change to Components and Cost | Yes [X] No [] |
| Change in Institutional Arrangements | Yes [] No [X] |
| Change in Financial Management | Yes [] No [X] |
| Change in Procurement | Yes [] No [X] |
| Change in Implementation Schedule | Yes [] No [X] |
| Other Change(s) | Yes [] No [X] |

Development Objective/Results

Project's Development Objectives

Original PDO

The PDO is to establish the key building blocks for a basic national safety net system and to provide income support to extremely poor households in Sierra Leone.

| Change in Results Framework | | | | | | |
|---|-----------------------------|--------------------------|---|-------------------------------------|---------------------|--------|
| Explanation | | | | | | |
| The proposed AF would maintain the original indicators at the PDO level; however, some targets in the results framework will be revised given the expansion of the project and extension of the closing date. | | | | | | |
| Compliance | | | | | | |
| Covenants - Additional Financing (Social Safety Nets Additional Financing - P154454) | | | | | | |
| Source of Funds | Finance Agreement Reference | Description of Covenants | Date Due | Recurrent | Frequency | Action |
| IDAT | Section IV.B.1(c) | Disbursement condition | FY2015 | <input checked="" type="checkbox"/> | Yearly | New |
| ERR | Section III.3.02 | Disbursement condition | FY2015 | <input checked="" type="checkbox"/> | Yearly | New |
| Conditions | | | | | | |
| Risk | | | | | | |
| Risk Category | | | | | Rating (H, S, M, L) | |
| 1. Political and Governance | | | | | Substantial | |
| 2. Macroeconomic | | | | | Substantial | |
| 3. Sector Strategies and Policies | | | | | Moderate | |
| 4. Technical Design of Project or Program | | | | | Low | |
| 5. Institutional Capacity for Implementation and Sustainability | | | | | Substantial | |
| 6. Fiduciary | | | | | Substantial | |
| 7. Environment and Social | | | | | Low | |
| 8. Stakeholders | | | | | Moderate | |
| 9. Other | | | | | Moderate | |
| OVERALL | | | | | Substantial | |
| Finance | | | | | | |
| Loan Closing Date - Additional Financing (Social Safety Nets Additional Financing - P154454) | | | | | | |
| Source of Funds | | | Proposed Additional Financing Loan Closing Date | | | |
| IDA Grant | | | 30-Jun-2019 | | | |
| Loan Closing Date(s) - Parent (Sierra Leone Safety Nets Project - P143588) | | | | | | |
| Explanation | | | | | | |
| The AF will extend the closing date of the original SSN Project from September 30, 2017 to June 30, 2019 to align with the AF closing date in order to accommodate the co-mingling of funds. | | | | | | |
| Ln/Cr/TF | Status | Original | Current Closing | Proposed Closing | Previous Closing | |

| | | Closing Date | Date | Date | Date(s) |
|---|-----------------|---|-------------------|---|----------------|
| IDA-H9250 | Effective | 30-Sep-2017 | 30-Sep-2017 | 30-Jun-2019 | – |
| Change in Disbursement Arrangements | | | | | |
| The DFID co-financing constitutes a new source of funding under the AF and will be channeled through the ERRTF. Under the AF, the IDA Original and Additional Grants and the DFID resources (ERRTF Grant) will be co-mingled and will flow into a single DA. At the project level, resources from the original project, IDA Additional Grant and the ERRTF Grant will go into a common pooled local account for disbursement. The changes to the funds flow and disbursement arrangements are described in Annex 4. | | | | | |
| Change in Disbursement Estimates (including all sources of Financing) | | | | | |
| Explanation | | | | | |
| The AF will extend the closing date and expand the coverage of the parent SSN Project. As a result, some changes are expected in the disbursements estimates. | | | | | |
| Expected Disbursements (USD Million) (including all Sources of Financing) | | | | | |
| Fiscal Year | 2015 | 2016 | 2017 | 2018 | 2019 |
| Annual | 4.30 | 1.82 | 2.95 | 4.50 | 0.73 |
| Cumulative | 4.30 | 6.12 | 9.07 | 13.57 | 14.30 |
| Allocations - Additional Financing (Social Safety Nets Additional Financing - P154454) | | | | | |
| Source of Fund | Currency | Category of Expenditure | Allocation | Disbursement % (Type Total) | |
| | | | Proposed | Proposed | |
| IDAT | SDR | (3) Gds, CS, NCS, TRN, OPCs for the Districts under Prt 1&3 | SDR2,000,000 | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient | |
| | SDR | (4) Cash Transfer Program for the Districts under Prt 2 | SDR5,200,000 | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient | |
| | | Total: | SDR7,200,000 | | |
| ERR | USD | (3) Gds, CS, NCS, TRN, OPCs for the Districts under Prt 1&3 | US\$1,300,000 | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient | |
| | | (4) Cash Transfer Program for the Districts under Prt 2 | US\$3,000,000 | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient | |
| | | Total: | US\$4,300,000 | | |
| Reallocation between Disbursement Categories | | | | | |

There will be a reallocation between the disbursement categories of the original SSN Project to accommodate the new trust fund financing source (see Annex 4). The ERRTF and IDA resources will jointly co-finance all activities in all districts, with the percent to be financed by the ERRTF grant and the IDA grant determined on the basis of annual work plans.

| Ln/Cr/ TF | Currency | Current Category of Expenditure | Allocation (SDR) | | Disbursement % (Type Total) | |
|---------------|----------|--|------------------|-----------------------|-----------------------------|---|
| | | | Current | Proposed ⁴ | Current | Proposed |
| IDA- H9250 | XDR | (1) Gds, CS, NCS, TRN,OPCs Prt 1&3 | 2,200,000 | 761,776 | 100.00 | 100.00 |
| | | (2) Cash Transfer Program under Prt 2 | 2,400,000 | 150,862 | 100.00 | 100.00 |
| | | (3) Gds, CS, NCS,TRN,OPCs for the Districts under Prt 1&3 | 0 | 1,438,224 | | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient |
| | | (4) Cash Transfer Program for the Districts under Prt 2 | 0 | 2,249,138 | | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient |
| | | Total: | 4,600,000 | 4,600,000 | | |

Components

Change to Components and Cost

Explanation

No changes to the components are envisaged; additional resources will be allocated to all three components to support the project's scale up. Specifically, the additional grant will finance: (i) wider rollout of the SP systems currently being established, including a three-stage targeting mechanism, an MIS, third-party payments, and anticorruption and grievance redress measures to five additional districts; (ii) expansion of the geographical coverage of cash transfers and complementary workshops to 7,000 additional extremely poor households in five new districts and extension of cash transfer duration for the original 12,000 beneficiaries; and (iii) increased institutional strengthening for efficient project implementation and coordination to cover the five new districts.

A large portion of the AF would be allocated to the scale up of the cash transfer component, particularly for expansion to additional districts not covered by the parent project. While the SSN resources are not yet close to being depleted, the RE-SSN will end in September 2015 at the time the EERP closes, but the parent project does not cover the RE-SSN districts. In order to enroll the eligible RE-SSN beneficiaries in the SSN shortly after exiting the RE-SSN and to provide both the SSN and RE-SSN beneficiaries' transfers

⁴ To be restructured after the date of the Financing Agreement to reflect actual disbursed amounts. See Annex 4.

over a reasonable time period to allow them to rebuild resilience after the EVD crisis, the resources from the AF would have to be available in the second quarter of fiscal year 2016.

The costs of the parent project and the AF are presented below by component. Discussions have been held with the government and donors regarding additional contributions. The DFID participated in the appraisal mission and has signed an Administrative Agreement with the Bank, indicating its intention to provide a financial contribution of US\$4.3 million to scale up cash transfers. On July 13, 2015, the Bank received the first tranche in the amount of approximately US\$3.1 million, with the second and final tranche expected in September 2015. The DFID financing will contribute to all project components and will not finance any new activities. The government remains committed to the SSN Project and during appraisal confirmed that in addition to transferring the full US\$1 million in counterpart funds provided for the parent project, the government will provide an additional US\$1.5 million as counterpart funding to the AF to support the SSN Project scale up.

| Current Component Name | Proposed Component Name | Current Cost (US\$M) | Proposed Cost (US\$M) | Action |
|--|--|-----------------------------|------------------------------|---------------|
| Development of Systems for Implementation of Social Safety Net Interventions | Development of Systems for Implementation of Social Safety Net Interventions | 1.20 | 1.61 | Revised |
| Cash Transfers to Extremely Poor Households | Cash Transfers to Extremely Poor Households | 4.60 | 16.98 | Revised |
| Project Management and Capacity Building | Project Management and Capacity Building | 2.20 | 5.21 | Revised |
| | Total: | 8.00 | 23.80 | |

Other Change(s)

| Implementing Agency Name | Type | Action |
|---------------------------------------|---------------------|---------------|
| National Commission for Social Action | Implementing Agency | No change |
| Republic of Sierra Leone | Borrower/Recipient | No change |

IV. Appraisal Summary

Economic and Financial Analysis

Explanation

The AF remains economically justified under the framework of the parent project. The microsimulations conducted for the economic analysis of the original SSN Project were updated to reflect the changes in the program parameters under the AF, namely the geographic expansion and the extension of the closing date. Larger impacts on poverty reduction are expected in line with the expansion to additional beneficiaries and longer duration of the cash transfer component. Indeed, results of the updated simulations indicate that the SSN Project with the AF has the potential to reduce extreme poverty from 17.5 to 15.4 percent in the nine project districts. The economic justification for the AF is further validated by analytical evidence from data collected during the outbreak which suggests that the socioeconomic impacts of the EVD crisis, if left unmitigated, are likely to worsen poverty and human development outcomes in both the short and longer term. However, it is also important to acknowledge that the cash transfer component alone will not be

capable of meeting the country's safety net needs entirely as it will cover only 19 percent of the approximately 117,000 households below the food poverty line in the medium term. The fact that targeting systems have been established and will be used to target the transfers is expected to enhance the SSN Project's poverty impacts.

In response to the shock to household consumption due to the EVD crisis, in the immediate recovery period (6-9 months), SSN beneficiary households will receive an additional top-up transfer equivalent to US\$15 per month, bringing the total monthly cash transfer to US\$30. This amount represents approximately 30 percent of pre-EVD average monthly household consumption among extremely poor households. Based on international experience, this higher benefit size is considered to be high enough to provide meaningful support to poor households' income but low enough to avoid negative incentives. This is motivated by evidence, including from high-frequency cell phone surveys, that the EVD crisis has translated into widespread shocks to household income in the short term and the poorest are likely to be more affected given their limited ability to meet basic consumption needs even before the crisis.

Fiscal sustainability remains an important issue for the proposed AF and the SP sector more broadly. First, before the outbreak, the country's reliance on donor funding for social programs was high—85 percent of social assistance spending according to the latest estimate from 2011. Second, the EVD outbreak and response are straining an already limited government resource base and this is likely to persist as the country moves toward recovery in the aftermath of the outbreak. Third, the EVD crisis, coupled with falling world prices for iron ore, has accelerated the decline of the mining sector, a major source of government revenues. Finally, the cash transfer program and the SP systems will be sustained until mid-2019 with the additional grant, after which their future is uncertain. On the other hand, based on cost projections, once the cash transfer program is operating at scale, it will absorb approximately US\$5.2 million annually or 0.07 percent of gross domestic product (GDP). There is also potential to create fiscal space through phase out of costly and regressive indirect fuel subsidies which amount to 1 percent of non-iron ore GDP. In addition, the government remains committed to scaling up the SSNs, as demonstrated by: (i) commitment of US\$1 million to the SSN Project and US\$1.5 million to the AF, appropriation of US\$250,000 in the 2015-2016 budget, with the full amount expected to be transferred in the next quarters and (ii) prioritization of safety nets in the government's EVD recovery strategy. In sum, while the government remains committed to the SSN Project's financial sustainability, given the EVD crisis it is expected that substantial continued investments from donors will be needed over the coming years to ensure its success.

Technical Analysis

Explanation

There are no changes to the technical design with the exception of the geographic expansion and time horizon for the transfers.

Social Analysis

Explanation

There are no new activities. Therefore, in line with the original project, there will be no social safeguards requirements.

Environmental Analysis

Explanation

There are no new activities; therefore the original project environmental classification (Category C) will be maintained.

| |
|--|
| Risk |
| <p>Explanation</p> <p>The main risk that has changed since the parent project was approved is the macroeconomic risk associated with the Ebola crisis and the collapse of the iron ore sector and the institutional risks of coordination failures which the AF seeks to contribute to mitigating.</p> |

V. World Bank Grievance Redress

21. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to the existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Revised Results Framework and Monitoring Indicators

SIERRA LEONE: Additional Financing Social Safety Nets Projects

| | | | |
|--------------------|---|----------------------|--|
| Project Name: | Social Safety Nets Additional Financing (P154454) | Project Stage: | Additional Financing |
| Team Leader(s): | Nina Rosas Raffo | Requesting Unit: | AFCW1 |
| Product Line: | IBRD/IDA | Responsible Unit: | GSPDR |
| Country: | Sierra Leone | Approval FY: | 2016 |
| Region: | AFRICA | Lending Instrument: | Investment Project Financing |
| Parent Project ID: | P143588 | Parent Project Name: | Sierra Leone Safety Nets Project (P143588) |

Project Development Objectives

Original Project Development Objective - Parent:

The PDO is to establish the key building blocks for a basic national safety net system and to provide income support to extremely poor households in Sierra Leone.

Proposed Project Development Objective - Additional Financing: Unchanged

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

| Status | Indicator Name | Core | Unit of Measure | | Baseline | Actual (Current) | End Target |
|---------|---|--------------------------|-----------------|---------|-------------|--|--|
| Revised | Proportion of beneficiary households below the extreme poverty line | <input type="checkbox"/> | Percentage | Value | | 50.00 | 70.00 |
| | | | | Date | 27-Mar-2014 | 28-Feb-2015 | 30-Jun-2019 |
| | | | | Comment | | This figure refers to the 4 SSN districts. | The end date has been adjusted to reflect extension of closing date. |

| | | | | | | | |
|---------|--|-------------------------------------|--|---------|-------------|--|---|
| Revised | Proportion of beneficiary households receiving cash transfers by the 15th of the month after each payment quarter | <input type="checkbox"/> | Percentage | Value | | 98.00 | 70.00 |
| | | | | Date | 27-Mar-2014 | 2-Apr-2015 | 30-Jun-2019 |
| | | | | Comment | | | Given the scale up, target was revised to a more achievable target of 70% (from 90%). |
| Revised | Proportion of grievances related to the cash transfer component resolved within three months of being recorded in the GRM database | <input type="checkbox"/> | Percentage | Value | | | 70.00 |
| | | | | Date | 27-Mar-2014 | | 30-Jun-2019 |
| | | | | Comment | | Not yet due | Given the scale up, target was revised to a more achievable target of 70% (from 90%). |
| Revised | Direct project beneficiaries | <input checked="" type="checkbox"/> | Number | Value | 0.00 | 11,720.00 | 30,000.00 |
| | | | | Date | 27-Mar-2014 | 10-Jul-2015 | 30-Jun-2019 |
| | | | | Comment | | This figure refers to the 4 SSN districts. | Target was revised upward from 12,000 to 30,000. |
| Revised | Female beneficiaries | <input checked="" type="checkbox"/> | Percentage Sub Type Supplemental | Value | 0.00 | 92.00 | 70.00 |

| Intermediate Results Indicators | | | | | | | |
|---------------------------------|---|--------------------------|-----------------|---------|-------------|--|--|
| Status | Indicator Name | Core | Unit of Measure | | Baseline | Actual(Current) | End Target |
| Revised | Targeting and enrollment, payment, and grievance redress mechanism established | <input type="checkbox"/> | Yes/No | Value | No | Yes | Yes |
| | | | | Date | 27-Mar-2014 | 06-May-2015 | 30-Jun-2019 |
| | | | | Comment | | The system is in place in the 4 SSN districts. | The end date has been adjusted to reflect extension of closing date. |
| Revised | Proportion of households identified through community targeting with PMT data entered in the Beneficiary Registry | <input type="checkbox"/> | Percentage | Value | | 86.00 | 90.00 |
| | | | | Date | 27-Mar-2014 | 01-Mar-2015 | 30-Jun-2019 |
| | | | | Comment | | This figure refers to the 4 SSN districts. | The end date has been adjusted to reflect extension of closing date. |
| Revised | Proportion of cash transfer recipients paid through electronic payment | <input type="checkbox"/> | Percentage | Value | | 0.00 | 60.00 |
| | | | | Date | 27-Mar-2014 | 06-May-2015 | 30-Jun-2019 |
| | | | | Comment | | This figure refers to the 4 SSN districts. | The end date has been adjusted to reflect extension of closing date. |

Annex 2: Economic and Fiscal Sustainability Analysis

A. Economic Analysis

1. This section of Annex 2 presents updated microsimulations of the expected impact of the AF for the SSN Project on poverty and inequality in Sierra Leone. The methodological approach and data sources are the same as those used under the framework of the parent project. Using simple counterfactual analysis and data from the Sierra Leone Integrated Household Survey (SLIHS 2011), the remainder of this section shows the simulated impact of the cash transfers on consumption per capita, extreme poverty, and inequality in the targeted districts and nationally.

2. The simulations consist of a few simple steps. First, some households in the SLIHS 2011 data set are identified as potential beneficiaries based on program parameters such as targeting mechanism and expected number of beneficiaries; second, the consumption level of these households is augmented by the amount of the transfer; and third, based on the post-transfer distribution of household consumption, the variables of interest are calculated and compared to the correspondent pre-transfer levels. However, it is important to highlight that the EVD outbreak has likely reduced consumption across the board, including potentially large shocks among poor households. As the SLIHS was collected in 2011, the simulations presented do not reflect the increase in poverty resulting from the EVD crisis.

3. The simulations have been updated to reflect the new program parameters under the AF, namely geographic expansion and extension of the end date. In particular, the assumptions imposed to estimate the impacts are the following: (a) in the four districts originally covered by the parent project, the total number of beneficiaries is 12,000; (b) in the five new districts not previously covered by the parent project, the total number of beneficiaries is 7,000.⁵ The results presented in this section of the annex show the impact of the cash transfer on the variables of interest in the nine project districts, i.e., the four original districts and the five additional new districts. The amount of the cash transfer is set to be US\$15, i.e., approximately 15 percent of the extremely poor households' average monthly consumption.

4. Each simulation is replicated twice to reflect different assumptions on the targeting mechanism adopted by the project (i.e., community identification of potentially eligible beneficiaries followed by PMT verification). Under the first scenario, communities have perfect information. As a result, poor households are ranked according to per capita consumption and then the poorest households are selected as beneficiaries as long as they are classified as extremely poor based on their PMT score. Under the second scenario, it is assumed that communities only have partial information on households' economic status and therefore they target the poor with some errors. To reflect this, it is assumed that communities select the poorest 40 percent households in the first quintile, the poorest 25 percent in the second quintile, the poorest 25 percent in the third quintile, the poorest 7 percent in the fourth quintile, and 3 percent in the fifth quintile as beneficiaries. A PMT verification process is then applied to this composite group of households.

⁵ Original districts are Kono, Bombali, Moyamba, and Western Rural. New districts are Bo, Kenema, Kailahun, Port Loko, and Tonkolili. Due to the expected EVD impacts, the duration of the cash transfers has been extended from two years to between three and four, depending on the enrolment date (the weighted average is 41 months).

Table 2.1: Poverty Impacts in the Nine Project Districts

| | Monthly consumption per Capita in Leones ¹ | | Headcount ² | | Poverty Gap ³ | | Gini | |
|--------------------------------------|---|--------------------|------------------------|---------------------|--------------------------|---------------------|----------|----------------|
| | Baseline | Total increase (%) | Baseline (%) | Total decrease (pp) | Baseline (%) | Total decrease (pp) | Baseline | Total decrease |
| Perfect Community Targeting | 489,426 | 45.09 | 17.50 | -2.09 | 3.75 | -0.96 | 0.297 | -0.008 |
| Imperfect Community Targeting | 763,957 | 27.43 | 17.50 | -0.28 | 3.75 | -0.57 | 0.297 | -0.005 |

Note:

a. Values calculated only for beneficiaries.

b. Head count rate calculated using the extreme poverty line; all values calculated only for the project-covered districts.

c. Poverty gap calculated using the extreme poverty line; all values calculated only for the project-covered districts.

5. The first row in table 2.1 presents the results of the simulations under the assumption of perfect community targeting. Holding other factors constant, the cash transfer component has the potential to significantly increase consumption among beneficiaries and therefore reduce extreme poverty (both incidence and depth) and inequality in the nine project districts. By the end of the project, the cash transfer component could reduce extreme poverty by approximately 2.09 percentage points, from 17.50 to 15.41 percent. However, the impacts are not limited to those on the incidence of extreme poverty. According to the simulations, in December 2018 after the last installment is paid to beneficiaries, the extreme poverty gap could fall by one-fourth. The results also show that reductions in inequality, even if of small magnitude, could also be attained following the payment of cash transfers to extremely poor households.

6. The second row in table 2.1 presents the results of the simulations under the assumption of imperfect community targeting. The project impacts are substantially weakened when the targeting process is based on imperfect information; the impact on the poverty head count almost vanishes while the reduction in poverty gap and inequality is now smaller. For instance, under perfect community targeting, the poverty gap index would drop by 0.96 percentage points while with imperfect targeting, the drop would only be 0.57 percentage points. These findings suggest that a critical element for the program to reduce extreme poverty is targeting accuracy and, in particular, the community's knowledge about households' economic status.

7. Following the framework of the parent project, this section of the annex also presents simulations of a fully scaled-up program designed to reach all extremely poor households. This full scale-up scenario is simulated for both the nine project districts and the entire country. As in the previous part of this section of the annex, results are presented under both the perfect and imperfect community targeting assumptions.

Table 2.2: Poverty Impact in Full Scale-up Scenarios

| | Monthly consumption per capita in Leones ^{1a} | | Head count ^{2b} | | Poverty Ggap ^{3c} | | Gini | |
|--------------------------------------|--|--------------------|--------------------------|---------------------|----------------------------|---------------------|----------|----------------|
| | Baseline | Total increase (%) | Baseline (%) | Total decrease (pp) | Baseline (%) | Total decrease (pp) | Baseline | Total decrease |
| Nine Project Districts | | | | | | | | |
| Perfect Community Targeting | 864,837 | 24.13 | 17.50 | - 4.34 | 3.75 | - 1.16 | 0.297 | - 0.017 |
| Imperfect Community Targeting | 878,592 | 23.58 | 17.50 | - 4.34 | 3.75 | - 1.16 | 0.297 | - 0.016 |
| Entire Country | | | | | | | | |
| Perfect Community Targeting | 889,974 | 24.53 | 13.89 | - 3.23 | 2.87 | - 0.85 | 0.313 | - 0.015 |
| Imperfect Community Targeting | 885,215 | 24.56 | 13.89 | - 3.23 | 2.87 | - 0.85 | 0.297 | - 0.015 |

Note:

a. Values calculated only for beneficiaries.

b. Head count rate calculated using the extreme poverty line; all values calculated only for the project-covered districts.

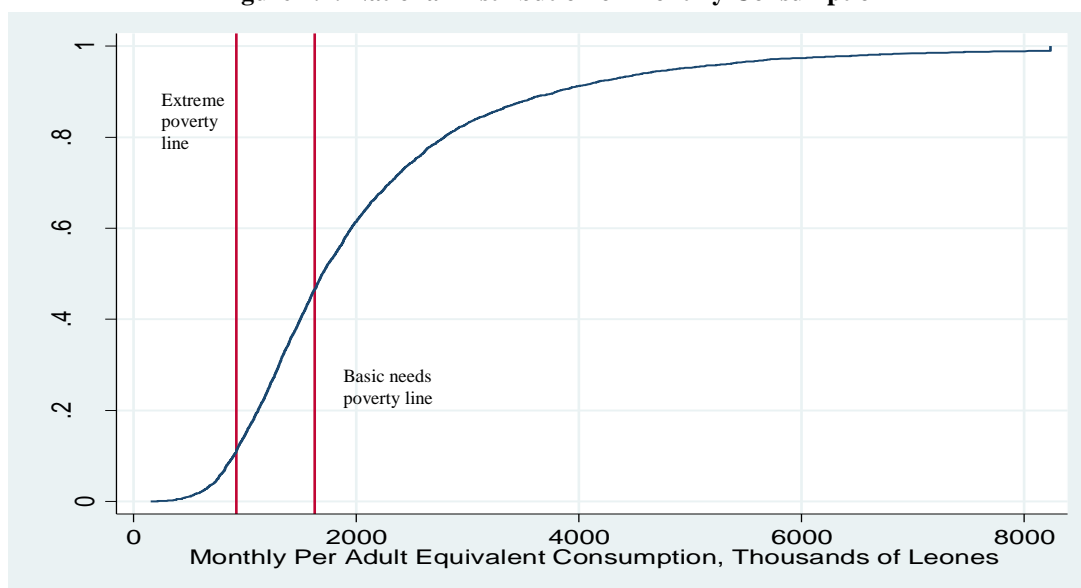
c. Poverty gap calculated using the extreme poverty line; all values calculated only for the project-covered districts.

8. The top half of table 2.2 shows the results of the full scale-up scenario in the nine project districts. A cash transfer program that covers all the households identified as extremely poor by community targeting and PMT verifications could reduce extreme poverty in Sierra Leone by approximately 4.34 percentage points and would only have an annual cost of approximately 0.4 percent of the GDP. The results obtained under the assumption of imperfect community targeting are similar to those obtained assuming perfect community knowledge about households' economic status when the project is fully scaled-up. The bottom half of Table 2. shows the results of the full scale-up scenario with national coverage. If all the extremely poor in the country were targeted, the number of extremely poor households would decrease by almost one-fourth while the depth of extreme poverty would fall by nearly one-third. The cost of such a program would account for approximately 0.5 percent of the GDP.⁶ As in the previous case, the results obtained under perfect and imperfect community targeting are almost identical.

⁶ In the nine project districts, it is assumed that the scaled-up program would cover approximately 88,000 households, i.e. all the households in the nine districts identified as extremely poor by the PMT. Similarly, in the scaled-up scenario for the whole country, it is assumed that the number of beneficiaries would be approximately 107,000. It is also assumed that the cash transfer component would account for 70 percent of the total cost. The GDP estimate is taken from the IMF World Economic Outlook and corresponds to the value in year 2015.

9. The similarity reflects in part the in-built error in the PMT, particularly given that the distribution of consumption is very flat in Sierra Leone, which makes the PMT more imprecise in identifying extremely poor households (Figure 2.1). To illustrate, in 2011, approximately 83 percent of the population lived on less than US\$2 a day.⁷ As a consequence, the inclusion of additional beneficiaries under perfect community targeting does not result in significant variation in the incidence and depth of extreme poverty compared to the imperfect targeting. However, better community targeting still results in small improvements in inequality. This is in line with international evidence that shows that the PMT method also has some limitations even if it generally performs well in identifying the poor.⁸

Figure 2.1: National Distribution of Monthly Consumption



Source: 2011 SLIHS. Distribution truncated at the 99th percentile.

10. Overall, the results of the simulations suggest that while cash transfers have the potential to significantly reduce extreme poverty in Sierra Leone, this intervention can only achieve its intended results if implementation aspects are carefully planned and monitored. Among others, a rigorous targeting mechanism, including a PMT to limit inclusion errors and strong collaboration with local communities for the identification of extremely poor households, will be key elements to ensure the project’s success in reducing poverty.

11. In response to the shock to household consumption due to the EVD crisis, in the immediate recovery period (6-9 months), the SSN beneficiary households will receive an additional top-up transfer equivalent to US\$15 per month—bringing the total monthly cash transfer to US\$30. This amount represents approximately 30 percent of pre-EVD average monthly household consumption among extreme poor households. Based on international experience, this higher benefit size is considered to be high enough to provide meaningful

⁷ World Bank World Development Indicators Database.

⁸ Despite the challenges potentially arising from a flat distribution of income, the PMT performance in the country has been positive so far. A targeting assessment conducted for a similar SSN Project in Sierra Leone shows that the PMT leads to better results than community-targeting alone.

support to poor households' income but low enough to avoid negative incentives. This is motivated by evidence, including from high-frequency cell phone surveys, that the EVD crisis has translated into widespread shocks to household income in the short term and the poorest are likely to be more affected given their limited ability to meet basic consumption needs even prior to the crisis.

B. Fiscal Sustainability Analysis

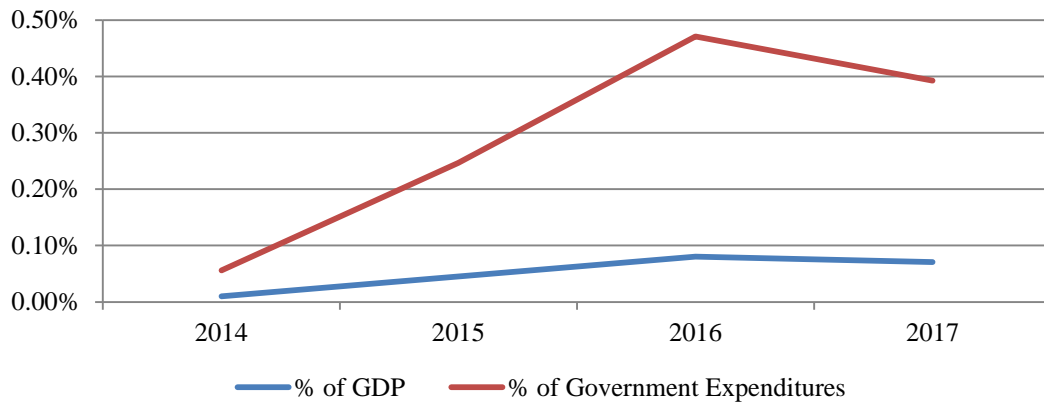
12. Fiscal sustainability remains an important issue for the proposed AF and the SP sector more broadly. Before the outbreak, the country's reliance on donor funding for social programs was high – 85 percent of social assistance spending according to the latest estimate from 2011.⁹ The EVD outbreak is straining an already limited government resource base and this is likely to persist as the country moves toward recovery in the outbreak's aftermath. The EVD crisis, coupled with falling world prices for iron ore, has also accelerated the decline of the mining sector, a major source of government revenues. On the other hand, there is potential for the government to create fiscal space for the SSNs, for example, through phasing out of costly and regressive indirect fuel subsidies (which amount to 1 percent of non-iron ore GDP), particularly in the light of the low international oil prices. At the same time, the government remains committed to scaling up social safety nets, as demonstrated by: (i) transfer of government counterpart funding to the SSN Project despite the current economic conditions and (ii) prioritization of safety nets in the government's EVD recovery strategy. An institutional assessment of NaCSA being carried out with RSR support is expected to provide concrete recommendations to identify sustained funding for the commission to execute its mandate of promoting pro-poor service delivery and sustained poverty reduction.

13. At the scale planned under the AF, the SSN Project would have limited fiscal implications. Once full implementation is reached, the annual cost to sustain the SSN Project will be approximately US\$5.2 million per year.¹⁰ Projections suggest that the cost in 2017 would only be 0.07 percent of GDP and it is expected that over the years the project will account for an even smaller share as the program achieves greater cost efficiency. Similarly, at full implementation, the annual cost would only correspond to approximately 0.4 percent of total public expenditures.

⁹ Social Protection Assessment (2012).

¹⁰ The estimates presented here include the 1,000 beneficiaries who are expected to be covered using government resources; thus, these costs reflect the amount needed to cover 20,000 beneficiaries.

Figure 2.2: Benchmarked Cost of the SSN Project



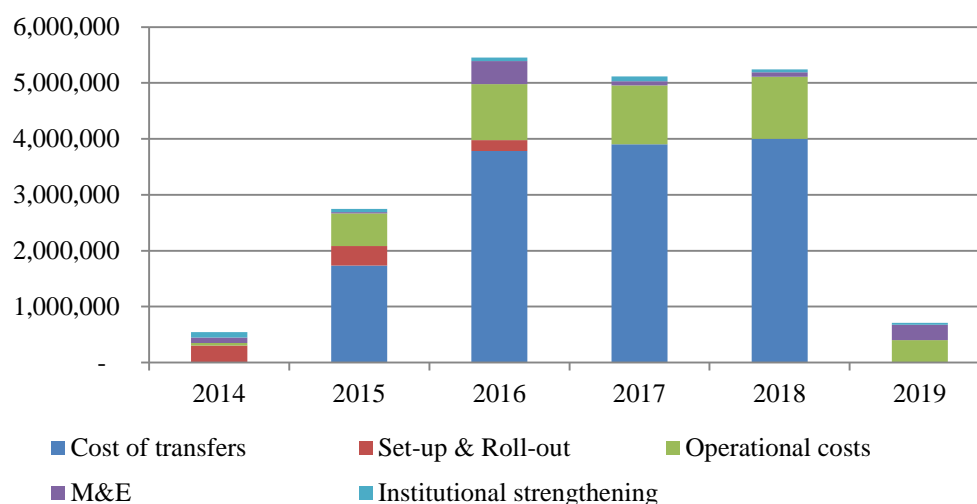
Source: Estimates project costs; IMF World Economic Outlook for GDP and government expenditures.

14. Between 2014 and 2019, the scaled up SSN Project will cost approximately US\$19.8 million.¹¹ The annual cost will range from US\$540,000 in 2014 to nearly US\$5.5 million in 2016 when it reaches its full coverage through expansion to five additional districts for a total of nine out of the country's 14 districts. The cost of cash transfers to beneficiaries will account for the largest share of the total annual cost of the scaled-up SSN Project, with the exception of the first and closing years of implementation. Administrative costs related to the setup and rollout of the program would only be present in the first three years while recurrent operating costs – the second largest cost item – would be approximately US\$1 million per year during full implementation. The M&E activities, which are important to ensure that the planned activities are implemented as intended and lead to the expected outcomes, would also be present every year, particularly in 2016 and 2019, when it is expected that baseline and endline impact evaluation data will be collected.¹² Finally, the institutional strengthening activities such as training and coordination would represent a small portion of the costs each year over the life of the project.

¹¹ The DFID co-financing is not included in the fiscal sustainability analysis as it is expected to be frontloaded during the recovery period (6–9 months).

¹² Funds for the impact evaluation have been allocated in Component 3.

Figure 2.3: Total Costs of the SSN by Type and Year



15. To sustain the coverage reached by the revised closing date of the SSN Project in mid-2019, funding in the amount of approximately US\$5.2 million per year will be needed. Until 2019, the SSN Project would be mostly funded by an IDA operation equivalent to US\$17 million, of which US\$7 million would be from the parent project and the remaining US\$10 million from the proposed AF to be approved in FY2016. The government will provide US\$2.5 million in support of Component 2 and UNICEF will provide parallel funding of US\$300,000 to support the project's GRM and anticorruption measures. Table 2.3 presents the estimated annual costs of the scaled-up SSN Project and the different sources of funding. Although the government remains committed to the program's financial sustainability and the overall fiscal burden is low, it is expected that substantial continued investments from donors will be needed over subsequent years to ensure the SSN Project's success, particularly in the light of the EVD crisis.

Table 2.3: Annual Estimated Cash Flows (US\$, millions)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|-----------|------|------|------|------|-------------|------|------|
| | Estimates | | | | | Projections | | |
| 1. SSN Costs | 0.54 | 2.75 | 5.45 | 5.11 | 5.24 | 5.24 | 5.24 | 5.24 |
| 2. Available Funds | | | | | | | | |
| IDA ^a | 0.54 | 2.30 | 4.60 | 4.36 | 4.49 | 0.70 | – | – |
| GoSL ^b | – | 0.25 | 0.75 | 0.75 | 0.75 | – | – | – |
| UNICEF | – | 0.20 | 0.10 | – | – | – | – | – |
| 3. Financing Gap^c | | | | | | 4.54 | 5.24 | 5.24 |
| 4. DFID^d | – | 4.3 | – | – | – | – | – | – |

Note: Annual costs in 2019, 2020, and 2021 are projections. 2018 is taken as the reference year.

a. US\$7 million approved in 2014 and US\$10 million to be approved in FY2016.

b. A total of US\$2.5 million between 2014 and 2019. Assumption is that the GoSL will allocate US\$250,000 in 2015, and US\$750,000 each year between 2016 and 2018.

c. Financing gap is the difference between Annual Costs (1) and Available Funds (2).

d. The DFID co-financing has not been included in the fiscal sustainability analysis as it is expected to be frontloaded during the recovery period (6–9 months).

Annex 3: SSN Parent Project - Component Description

Component 1: Development of Systems for Implementation of Social Safety Net Interventions

1. The objective of this component is to put in place the building blocks of a basic national safety net system in Sierra Leone. These systems will support the SSN intervention (Component 2) while creating linkages to existing national systems and social programs. Specifically, this component will finance the following activities:
2. **Design of a targeting system.** This support will focus on development of tools for a three-stage common targeting system combining geographical, community identification of potentially eligible beneficiaries and verification by the PMT. Tools will be developed to: (i) guide targeting of geographical areas below the district level (e.g., chiefdoms, wards, and communities); (ii) carry out the community-based identification of potentially eligible households; and (iii) be used in the PMT targeting process. Technical assistance will be provided to the SP Secretariat (under NaCSA) to support the design and setup of the targeting system.
3. **Building of a beneficiary registry.** The beneficiary registry will be a database containing information on potential beneficiaries of safety nets and linked to the national identification system. It will be housed at the SP Secretariat but will be accessible to other social programs for targeting purposes. Development of the registry will also include the design of a comprehensive plan for data management and data updates (e.g., changes to household information, recertification).
4. **Development of an MIS.** The project will finance development of an integrated MIS which will incorporate data from the beneficiary registry and will facilitate the collection, processing, management, and dissemination of data essential for program operations and monitoring. The SP Secretariat will manage the MIS. Development of the MIS will build on the experience of the ongoing public works program which recently introduced a system to electronically record and manage program data.
5. **Payment system.** The payment system will draw from the successful experience of the ongoing national public works program in which payments are outsourced to a service provider who delivers payments to beneficiaries via an agent-based model. To the extent possible, delivery of transfers will be electronic to improve the timeliness and predictability of the transfers and minimize the risk of leakages.
6. **GRM and anticorruption.** The GRM will enable beneficiaries and other stakeholders to raise grievances about the implementation of the SSN Project through multiple channels including civil society monitors, local councilors, wards, NaCSA, and other local government officials. In addition to the GRM, beneficiaries and other stakeholders will be able to report corruption to the ACC through the same channels used for the GRM as well as directly to the ACC.
7. The functionality and scalability of these systems will be tested mainly through two major social programs which are at the heart of the government's efforts to build a safety net system, namely, the cash transfer program (Component 2) and the ongoing public works

program. Finally, it is expected that these systems would benefit other existing government interventions such as the Free Health Care Initiative. This could occur both by providing these programs' information on potential beneficiaries (who might otherwise be excluded despite the universal nature of the program) and from linking safety net program beneficiaries to these programs.

Component 2: Cash Transfers to Extremely Poor Households

8. **The objective of the component will be to provide income support to extremely poor households.** Regular transfers will be made to extremely poor households for two years in targeted geographical areas within the selected districts. The target group will include extremely poor households as these also face the most food insecurity and are likely to have the highest risks of malnutrition and poor maternal health. Beneficiary households will designate a senior female household member as the transfer recipient (i.e., the female member in the household with the most knowledge of or responsibility for household spending and decisions related to maternal and child health). This is expected to increase the potential for higher program impacts on human capital.

9. **Soft conditions in the form of workshops will apply to reinforce human capital investments, particularly those associated with maternal and child health.** The aim of these workshops will be to provide beneficiary households with information on project objectives, encourage beneficiary households to put the transfers toward investments in human capital, and adopt good practices (e.g., on proper health and nutrition, child care, home hygiene, water usage, and other topics, including the importance of starting education at the right age). The cash transfers, combined with these workshops, will provide an opportunity for poor households to supplement their consumption and possibly make small investments in the human capital of their families.

10. **The transfer will have a fixed structure (i.e., will not vary across households) and the preferred frequency of payments is monthly.** However, given the relatively low capacity environment, the project will start with quarterly payments and move to monthly payments as establishment of systems advances. Beneficiary households will receive a cash transfer equivalent to US\$15 per month, which represents 15.2 percent of average household consumption among extremely poor households.¹³ Based on international experience, this benefit size is considered to be high enough to provide meaningful support to poor households' income but low enough to avoid negative incentives (e.g., reduced work).

Component 3: Project Management and Capacity Building

11. The component will have two subcomponents: (A) Project Management and (B) Capacity Building.

12. **Subcomponent A: Project Management.** The objective of this subcomponent is to ensure efficient program implementation. Specifically, the subcomponent will finance the delivery of cash transfers to beneficiaries and staff costs related to the development of SSN

¹³ Estimated using the 2011 Sierra Leone Integrated Household Survey.

systems including the following activities: (i) strengthening of the M&E system; (ii) information, education, and communication campaigns; (iii) recurrent operational costs; (iv) fiduciary aspects; and (v) studies linked to implementation. The component will also support the relevant district councils in the implementation of the program.

13. **Subcomponent B: Capacity Building.** The objective of this subcomponent is to provide capacity building to key stakeholders at both central and local levels involved in the implementation of the SSN Project. Given that SSN programs are relatively new in Sierra Leone, the project will provide support to strengthen coordination across the relevant ministries in carrying out the required operational reform to effectively implement the SSN. Specifically, the subcomponent will finance knowledge exchange events, program and line ministry staff SP training, line ministry equipment, goods and services (including line ministry staff travel costs and technical assistance support), and studies to enhance SP dialogue in Sierra Leone.

Annex 4: Description of New Funds Flow and Disbursement Arrangements

1. **Designated Account (DA).** Similar to the parent project, the basis of disbursements for the AF will be report based and anchored in quarterly unaudited Interim Financial Reports (IFRs). IFRs will be submitted on a quarterly basis to the Bank in accordance with the Financing Agreement. These reports will reflect all project activities, financing, and expenditures, including counterpart funds, funds from other donors through the ERRTF, and contributions in kind. It is these reports that will be used to support disbursement requests on a quarterly basis. This method will be supplemented by reimbursement and direct payments where required.

2. In the parent project, the IDA resources flowed to a segregated DA at Rokel Commercial Bank. Under the proposed project, the original IDA resources, the additional IDA, and the ERRTF co-financing,¹⁴ will flow into a single DA, which will be the same DA used under the parent project. In other words, the proposed project will apply joint co-financing with pooled arrangements. The flow of funds will be channeled through the DA as expenditures arise based on quarterly submission of IFRs. The authorized signatories for DA will be the current DA signatories for the parent SSN Project.

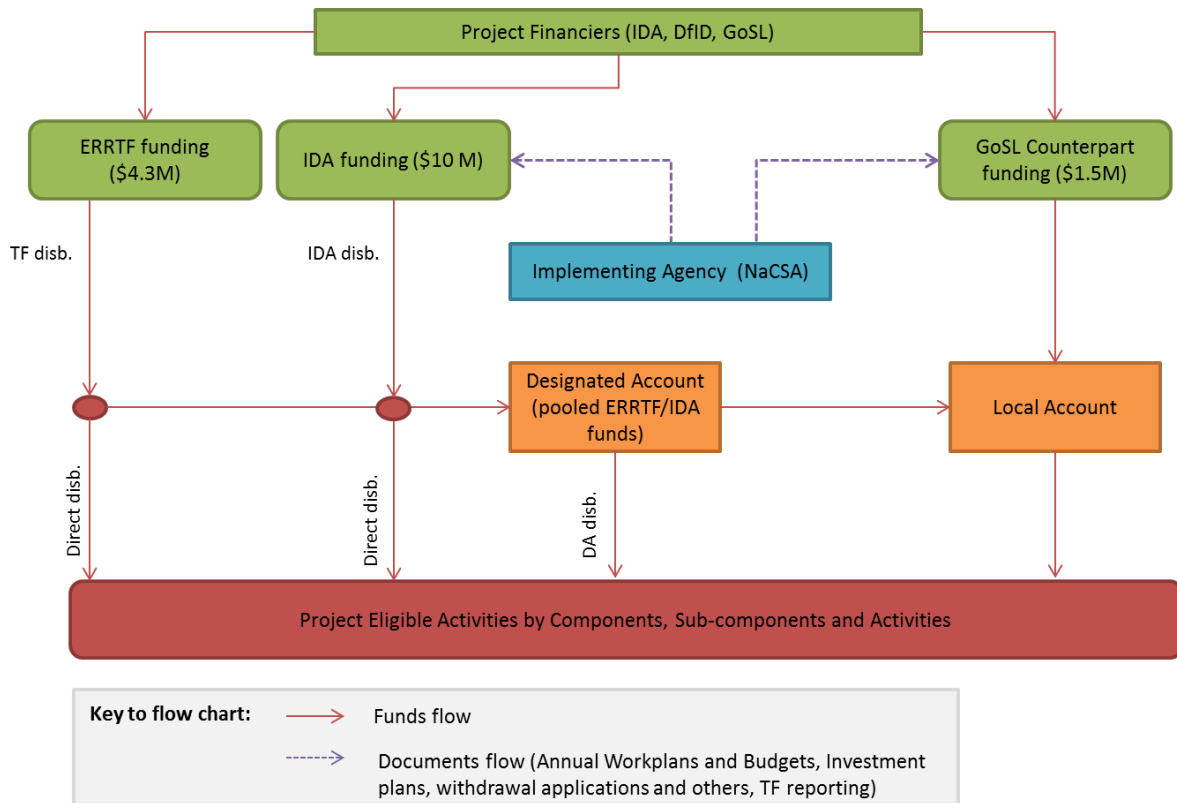
3. Initial advances will be provided to the respective DAs based on a forecast of expenditures against each component and disbursement category for the first quarter. The forecast will be based on an annual work plan that will be provided to the Bank and cleared by the task team leader before implementation. Subsequent replenishments of the Trust Fund DA would be done based on the net cash requirements for the subsequent six months, linked to an approved budget, supported by IFRs, and on approved withdrawal applications. The supporting documentation will be retained by NaCSA for review by the Bank missions and external auditors.

4. The Trust Fund resources will be used for eligible expenditures as defined in the Grant Agreement. As with the IDA resources, the disbursement categories are based on the project components and subcomponents, and each would finance eligible expenditures in the areas of cash transfers, goods, consultancy services, non-consultancy services, training, and operating costs.

5. **Local Currency Account (LCA).** Funds from the project DA will flow into a pooled LCA currently maintained by NaCSA. All relevant local expenditures as defined in the Financing Agreement will be made from this account. Figure 4.1 shows the proposed revised project funds flow arrangements.

¹⁴ The DFID co-financing will be channeled through the ERRTF.

Figure 4.1: Revised Project Funds Flow



6. As in the parent project, the AF will have two disbursement categories: (i) Goods, non-consulting services, consultants’ services, training and operating costs under Components 1 and 3 of the project; and (ii) the cash transfer program under Component 2 of the project. The ERRTF and IDA resources will jointly co-finance all activities in all districts with the percentage to be financed by the ERRTF grant and the IDA grant determined on the basis of annual work plans. Additional instructions for disbursements will be provided in the Disbursement Letter.

Table 4.1: Proposed Disbursement Categories

| Category | Amount of the Original Grant Allocated (expressed in SDR) | Amount of the Additional Grant Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|---|---|---|--|
| (1) Goods, non-consulting services, consultants’ services, Training and Operating Costs under Parts 1 and 3 of the Project (<i>Pro Memoria</i>) | 761,776 ¹⁵ | 0 | 100% |

¹⁵ To be restructured after the date of the Financing Agreement to reflect actual disbursed amounts.

| Category | Amount of the Original Grant Allocated (expressed in SDR) | Amount of the Additional Grant Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|--|--|--|---|
| (2) Cash Transfer Program under Part 2 of the Project (<i>Pro Memoria</i>) | 150,862 ¹⁶ | 0 | 100% |
| (3) Goods, non-consulting services, consultants' services, Training and Operating Costs for the Districts under Parts 1 and 3 of the Project | 1,438,224 | 2,000,000 | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient |
| (4) Cash Transfer Program for the Districts under Part 2 of the Project | 2,249,138 | 5,200,000 | Such percentage of the Annual Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient |
| TOTAL AMOUNT | 4,600,000 | 7,200,000 | |

Table 4.2: Proposed Co-financing by Component

| Component | IDA (US\$) | IDA (as % of total) | ERRTF (US\$) | ERRTF (as % of total) | Total (US\$) |
|---|-------------------|----------------------------|---------------------|------------------------------|---------------------|
| Component 1: Development of Systems for Implementation of Social Safety Net Interventions | 730,000 | 54.1 | 620,000 | 45.9 | 1,350,000 |
| Component 2: Cash Transfers to Extremely Poor Households | 7,300,000 | 70.9 | 3,000,000 | 29.1 | 10,300,000 |
| Component 3: Project Management and Capacity Building | 1,970,000 | 74.3 | 680,000 | 25.7 | 2,650,000 |
| Overall | 10,000,000 | 69.9 | 4,300,000 | 30.1 | 14,300,000 |

¹⁶ To be restructured after the date of the Financing Agreement to reflect actual disbursed amounts.