



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 04-Aug-2020 | Report No: PIDC27947

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

Country Sierra Leone	Project ID P172492	Parent Project ID (if any)	Project Name Accountable Governance for Basic Service Delivery (P172492)
Region AFRICA WEST	Estimated Appraisal Date Feb 01, 2021	Estimated Board Date Mar 31, 2021	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Republic of Sierra Leone	Implementing Agency Ministry of Finance (Fiscal Decentralization Division, PFM Reform Unit)	

Proposed Development Objective(s)

The PDO is to strengthen the governments' institutional systems and capacity for accountability and management of resources to more effectively deliver basic services at the local level responsive to community needs, across all districts.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	50.00
Total Financing	50.00
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	50.00
IDA Credit	50.00

Environmental and Social Risk Classification

Concept Review Decision



Moderate

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. Sierra Leone's 7.8 million people experience low levels of human development.** Sierra Leone has made significant strides in restoring peace and security after a long and destructive civil conflict. In the years since the restoration of peace, key state institutions have been rebuilt. Four peaceful, credible, and competitive elections at national and local levels have been held since the end of the conflict. These have resulted in two orderly handovers of the Presidency between the two main parties. However, despite progress in areas of security and governance, human development outcomes are low. Sierra Leone ranks 151 out of 157 countries in the recently launched Human Capital Index (HCI)¹. Poverty rates in the rural areas are more than twice as high as those in the urban areas (73.9 percent versus 34.8 percent).² The largest poverty reduction occurred in urban areas around the capital, Freetown (by 0.9 percentage points annually over 2012-2018). Inequality is also high in Sierra Leone, with the bottom 40 percent of the population having only 20 percent of the total household consumption. If poor human development outcomes continue indefinitely, they will generate avoidable human misery, impede economic development, and risk undermining citizens' already fragile trust in governing institutions.
- 2. Human development sectors have seen a trend of increased financing of inputs.** A combination of government and donor funding has significantly raised spending on health and education over time. Current health expenditures as a percentage of the Gross Domestic Product (GDP) have increased from 9.9 per cent in 2008 to 11 per cent in 2020. Over this period, total per capita spending on health has doubled in real terms, as has government expenditure on health. Education spending as a percentage of GDP has increased from 2.4 per cent in 2008 to 22 per cent in 2020. The share of overall public spending on education has doubled, from 14.9 per cent in 2008 to just over 33 per cent in 2018; the recent increase a direct consequence of the Government's commitment to Free Quality Education (FQE) program. The primary completion rate (PCR) has increased from 55 percent in 2004 to 81 percent in 2018, and is above the regional average (69 percent). Cost barriers to accessing health have been reduced through government policies on free health care for mothers and young children.
- 3. Inefficiencies in the local services delivery chain are preventing better outcomes and this is a key concern for the country's medium term national development plan (MTNDP).** Despite improvements in financing, Sierra Leone's HCI places the country lower than the average of its region (sub-Saharan Africa)—and lower than its income group (lower middle-income countries). Sierra Leone has some of the most inefficient health and education spending in the world in terms of turning inputs into outputs using a production-possibility frontier analysis. In other words, the value for money

¹ The HCI is made up of five indicators: the probability of survival to age 5, a child's expected years of schooling, harmonized test scores as a measure of quality of learning, adult survival rate (fraction of 15-year-olds that will survive to age 60, and the proportion of children who are not stunted.

² While the capital area of Freetown has the lowest poverty headcount of 23.5 percent, at least three rural districts have poverty rates of above 80 percent. The disaggregated data highlights the concentration of poor across almost all 16 rural districts being high; see World Bank (2019) Sierra Leone Poverty Assessment.



of basic services spending is poor, compared to other sub-Saharan African countries. Inefficient public sector delivery systems are not confined to basic services: government effectiveness indicators for the country have remained consistently among the weakest in the world, ranking 171 out of 193 countries.³

4. **As a result of successive shocks, government finances are stretched, and overall fiscal space to finance additional inputs for basic services is constrained.** Prior to the Coronavirus disease 2019 (COVID-19), growth moderated to 3.7 percent in 2017, slowed to 3.5 percent in 2018 and increased to 5.1 percent in 2019, albeit slower than before the 2015-16 ‘twin shocks’ of Ebola Virus Disease (EVD) and a fall in commodity prices that resulted in the suspension of large parts of Sierra Leone’s nascent extractive industries that had provided the major driver of economic growth. Tax revenues have increased, but overall remain lower than the Sub-Saharan African average. The ratio of domestic revenue to non-iron ore GDP increased from 13.7 percent in 2018 to 14.3 percent in 2019, supported in particular by improved corporate income taxes and import duties (from growth in imports), as well as recent measures taken by the government to reduce tax exemptions.

5. **The government is aware of the nature of this service delivery challenge and is seeking to respond.** While the recent MTNDP (2019-23) focuses on the need for investments in human capital development, it additionally emphasizes the need to more effectively coordinate existing mechanisms for monitoring and evaluating the effectiveness of public sector service delivery. Government has taken some steps towards improving the allocative efficiency of public spending, including a review of the state of financing of priority sectors, which is being supported through the WB Public Expenditure Review. In the short term, government remains committed to continued strengthening of public financial management (PFM) systems that could lead to service delivery efficiency gains. Through the MTNDP, government has identified a range of interventions focused on better sector governance, more strategic procurement, and reduced fragmentation of spending as ways to improving the impact of current spending.

6. **Sierra Leone has made modest progress in strengthening financial governance for basic services delivery, with key elements of an effective general governance architecture in place.**⁴ The most recent Public Expenditure and Financial Accountability (PEFA) assessment⁵ documents the progress the country has made mainly through the rolling out its Integrated Financial Management Information System (IFMIS), adoption of a Fiscal Strategy Statement as a tool for annual assessments of fiscal risk, implementation of a Treasury Single Account and adoption of cash-based IPSAS for financial reporting. The PEFA highlights, though, weaknesses in PFM systems affecting service delivery. Flow of funds, both in cash and in-kind, continue to be a major challenge. There is no system in place to track resources to service delivery units and there is still no systematic evaluation of service delivery programs, even though the enabling structures exist.⁶

7. **Local government structures play a critical role in weathering the COVID-19 pandemic, mitigating the economic impacts, and supporting a sustainable recovery.**⁷ Local Councils are well-placed to play a convening role between their own systems, central government agencies operating at local level, Chiefdom governance structures, other community

³ WDI on Government Effectiveness is -1.14 (2018), well below the world-average and for the region.

⁴ Anti-corruption institutions include : Anti-Corruption Commission, Audit Service Sierra Leone, National Public Procurement Authority, Financial Intelligence Unit, Parliamentary Public Accounts Committee, law enforcement agencies, and the Ombudsman.

⁵ <https://www.pefa.org/node/411>

⁶ The PEFA provided the top score (score A) for building rules-based and transparent systems at the central level to manage the transfer of resources to sub-national governments. However, the PEFA reflects unfavorable assessments (score D) for (i) Performance achieved for service delivery, (ii) Resources received by service delivery units, (iii) Performance evaluation for service delivery, (iv) Monitoring of sub-national governments, as well as poorly for (v) investment management.

⁷ Recent empirical research published on Sierra Leone’s successful responses during the EVD outbreak have highlighted again the importance of local level trust and accountability with citizens and communities pre-EVD having played a key role. See Christensen, D.E; et al. 2020. *Building Resilient Health Systems : Experimental Evidence from Sierra Leone and the 2014 Ebola Outbreak*. WPS 9223. Washington, D.C.: World Bank.



leaders, and citizens. Strengthened local governments can support both the immediate delivery of vital services (health, mobile water points, logistics support, etc.), as experienced during the EVD response, and play an important role in longer-term recovery through contributions to employment and livelihoods programs, and social services delivery.

Sectoral and Institutional Context

8. Contradictory local government legislation and an incomplete transfer of authority to Local Councils has in practice resulted in fragmentation of roles and responsibilities for basic services between central and local levels.

Reinstating Local Councils was expected to both rebuild state-citizen trust and provide a means for formal state institutions to deliver public services at the local level. Based on the Local Government Act (LGA, 2004), Local Councils (LCs)⁸ are formally responsible for the delivery of a range of services, including: primary and junior secondary education, primary and secondary health care, rural water, sanitation, solid waste management, agriculture, youth services, social assistance services, and firefighting services. Ministries, departments and agencies (MDAs) at the central level theoretically retain the responsibility for strategic planning, setting of standards, quality control and monitoring in these sectors. In practice, central level MDAs retain substantial control over the day-to-day operational delivery of key public services through deconcentrated offices. This has contributed to the institutional fragmentation of governance of basic service delivery.

9. The Government has made a number of commitments to address the significant inconsistencies that adversely affect the enabling context for accountable governance of local level spending.

These include: (a) Review of the Local Government Act 2004 and the 2010 Decentralization Policy to facilitate better implementation of the Public Financial Management (PFM) Act (2016); (b) Empowering a dedicated Ministry of Planning and Economic Development (MoPED) and creating a National Monitoring and Evaluation Agency (NaMED); (c) Agreeing on a revised PFM Reform Strategy (2018 – 2021), covering the issues of inconsistency and weaknesses between central and local levels; and (d) Prioritizing the effectiveness of spending in the Medium Term National Development Plan (2019-23), which reiterates that the Local Council component of the PFM strategy will be delivered. Both the PFM Act (2016) and the PFM Regulations (2018) have, among other things, strengthened financial management in the councils.⁹ Taken together, these suggest a new emphasis on improving the legal, administrative, and financial systems operating in Local Councils so as to support effectiveness of spending at the local level.

10. From the public spending angle, given that service delivery is financed through different institutions and delivered through different mechanisms, it requires a focus on both central and local levels.

Some key functions in the public service delivery chain are primarily centrally managed through the operations of MoF, and sectoral ministries; for example, the procurement of teaching and learning materials (TLM), or drugs. However, TLM or drugs, still need to be distributed, and the relevant institutions need to use and safeguard them. This is primarily the role of Local Councils. As a result, government spending in textbooks, TLM and medical supplies is effectively an in-kind transfer to the local level. As an example of the lack of connection between the two, there is currently no breakdown of those expenditures lines by council or district, nor is there comprehensive recording and reporting of transfers and distribution for monitoring purposes.

⁸ Twenty-two elected Local Councils, comprising 16 district councils, 5 city councils and 1 municipal council, are responsible for 78 functions, constitutionally devolved, from 17 ministries.

⁹ For instance, section 85(1) of the PFM Act 2016 mandates the Accountant-General to publish chart of accounts for the councils, section 86(1) requires the councils to submit their accounts to the Auditor-General for audit, and in 86(2) the reports to be submitted to the former after the audit.



11. The fragmented structures for financing, reporting and consequently for accountability partly stem from the multiple centers of gravity for expenditures on basic service delivery.¹⁰

- **Government of Sierra Leone (GoSL) expenditure on service delivery is mostly to cover salaries.** The bulk of formal staff for service delivery – teachers, health workers, extension workers, social workers - are recruited centrally and are on the central government payroll, with their salaries paid directly into their bank accounts. The payroll is managed by the Human Resource Management Office and the Accountant General’s Department, MoF.¹¹ There is no breakdown of salaries by council or service facility easily available. Core council staff, which come under the purview of the Local Government Service Commission (LGSC), are paid via a fiscal transfer to Local Councils.
- **A system of GoSL-funded fiscal transfers for non-salary expenditures is in place.** Its design is relatively coherent and formula based, and it involves sectoral and block grants to Local Councils and direct transfers to service delivery units (schools). According to the Local Government Act (LGA, 2004), the Local Government Finance Committee recommends to the Minister of Finance the amount of grant allocations to each Local Council and the periodic transfer process is managed by its secretariat, the Local Government Finance Department (renamed Fiscal Decentralization Department in 2019) within the Ministry of Finance (MoF). The bulk of grants are allocated and spent by the Local Councils in partnership with line ministry offices at the district.
- **Development partners use parallel funding mechanisms to engage in service delivery.** This is done through two routes. In terms of direct service delivery, donors typically operate through networks of private contractors and non-governmental organizations. In terms of indirect service delivery, donors may provide programme or sector-support style funds through the relevant line ministries, which may then allocate funds to their district offices and to service providers directly.
- **Chieftdom structures have no formal role in basic services delivery but the support of these traditional authority institutions is often useful in practice.** Paramount, section, and village chiefs have an influential role in shaping community behaviour, as well as formal control over certain issues like land rights in rural areas. These institutions are overseen, and in some cases funded directly, by the Ministry of Local Government and Rural Affairs.
- **Locally raised revenues, fees and charges.** Local Councils are responsible for collecting property tax and other fees and licenses. These funds can be deployed to support local services delivery. The chieftdoms collect the “local tax”, a form of poll tax and are supposed to remit a share to the Local Councils. Revenue potential is far higher in urban than in rural areas. Schools and health facilities also collect revenues from informal fees and charges.
- **Audits of Local Councils are undertaken annually by the Audit Service Sierra Leone (ASSL).**

12. Non-salary recurrent transfers used to deliver basic services at the local level, and the general level of funding for councils, has been grossly inadequate to fulfil their core functions in the management of service delivery. The overall level of non-salary recurrent fiscal transfers to Local Councils to fulfil their service delivery mandates is very low relative to financing for staff salaries controlled by central ministries; and also low in absolute terms.¹² Recurrent grants to local government for health and education were US\$10.1 million in 2018; with central-ministry controlled health and education salary expenditure being US\$75 million – over seven times as large. Critical Local Council functions of supervision, sensitization, training, distribution of inputs, and maintenance of facilities consequently suffer. Actual nominal values of non-salary recurrent transfers to Local Councils are both erratic and low. For education, transfers were made in excess of budget for 2018, but these still only amounted to US\$1.29 per capita.

¹⁰ See PCN Technical Annex 2, Figure A2.1.

¹¹ HR management of teachers comes under the relatively new Teaching Service Commission (TSC).

¹² Section 49(3) of the LGA 2004 requires that tied grants for devolved and administrative functions shall increase each year at least in line with inflation. Analysis of current trends of grants for devolved and administrative functions indicates otherwise. In FY 2019 and 2020, tied grants allocated to Local Councils amount to Le117.99 billions and Le74.38 billions respectively.



13. **Development (capital) spending for councils is equally limited.** Transfers from central to local government for capital expenditure were worth only US\$0.24 per head in 2018. Total local government capital expenditure – of which grants from central government comprise 90 per cent of this financing – averaged only US\$0.26 per capita in 2018.

14. **The challenge for financial and delivery systems that govern basic service delivery at local level is to support more effective spending of limited resources, accountability through using better data, and planning of resources responsive to local needs.** Strengthening local governance systems will help to improve general operational efficiency; make better use of existing resources; and therefore improve overall value for money in basic services expenditure. Such strengthening is needed at two levels: (i) to improve the systems, rules, and procedures for local services governance; and (ii) to ensure that they are better *implemented* and *operationalized* on the ground. Local Councils are a key institution for this task, given their role in part-funding and monitoring key basic services at a local level, and their role in leading cross-institution development planning in their districts.

Relationship to CPF

15. **The new Country Partnership Framework (CPF, FY20-25) has accountable governance in the use of public finances as a core focus area, in addition to governance being a cross-cutting theme across the country engagement.** The CPF itself notes that efficiency of existing spending on education and health sectors has been low; and that unless these are addressed, deploying further resources towards the MTNDP's human capital agenda will lack value for money. The Project will support the CPF's stated goals under Focus Area 1 on Sustainable Growth and Accountable Governance (Improve government accountability for results in use of public finances) and Focus Area 2 on Human Capital Acceleration for Inclusive Growth (Deliver quality and inclusive education and health services). The Project focus will build on the existing support to PFM reforms and other accountability systems at the central level while expanding it to the local level.

16. **The project's emphasis on improving local government effectiveness and citizen engagement on basic service delivery addresses a critical gap and complements other operations in the country portfolio.** During CPF preparation, local government and CSOs pointed to the gaps left by the discontinued World Bank project on decentralization and service delivery. These gaps will be addressed through this new project, which additionally complements the recent Board-approved Free Basic Education Project (P167897), the pipeline Health project (P172102), and the Resilient Urban Sierra Leone Project (P168608), which covers the five city and municipal councils, including support to property tax reform. Under this project, there will be an additional focus on empowering citizens with capacity building in technical areas to enable effective budget oversight and monitoring, with a particular focus on empowering women in these roles. Furthermore, through a partnership with the Global Partnership on Social Accountability, this project will build upon an existing engagement on increasing accountability of service delivery in education and health sectors, as well as building capacity of selected parliamentary committees to improve their oversight role. This project links the wider procurement systems reforms supported by the Third Productivity and Transparency Support Grant (P169498) to the Education and Health sectors specifically.

17. **The project will contribute to meeting commitments within IDA19's Governance and Institutions Special Theme.** The project will directly support maximizing the impact of investments in service delivery (Pillar 2) through improving the efficiency of public expenditures, and more effectively aligning expenditures with domestic financing and external resources in a sustainable manner. In addition, the project will have a strong focus on the benefits that technology has to offer in selected areas in core government functions related to PFM, procurement, monitoring, and accountability systems for basic services at the local level (i.e., GovTech). While technology can be an important enabler, the project will additionally focus on accountability gaps that are often more a result of weak incentives for use of data systems and sharing of key information that result in monitoring weaknesses. The project will, consequently, also support the



commitments within the IDA19 Special Theme on building confidence in institutions (Pillar 3) and improve data for evidence-based decision making (Pillar 4).

The project aligns with the WBG COVID-19 Crisis Response framework, as it supports the social response to rural communities (Pillar 2), the economic response through using development grants for local service delivery and improved local markets (Pillar 3), and strengthening institutional systems for local governance (Pillar 4). Support to rural communities through strengthening local governments is a core part of the social response for protecting poor and vulnerable people from the impact of the economic and social crisis triggered by the pandemic. This project aims to strengthen the Local Councils in districts as conveners of community engagement. The project will also strengthen productive inclusion programs that leverage community structures, including local governance groups such as Ward Development Committees for planning the use of project-financed local development grants. It will strengthen district M&E structures as fora for monitoring development results and social accountability through increased citizen engagement. Finally, the project will strengthen institutional systems to deliver accountable basic services, as well as transparent management and oversight. Local community networks of outreach and engagement working alongside district Local Councils have been noted previously during the Ebola experience in Sierra Leone as critical to an effective community-level response during a pandemic outbreak.

C. Proposed Development Objective(s)

The PDO is to strengthen the governments' institutional systems and capacity for accountability and management of resources to more effectively deliver basic services responsive to community needs across all districts.

Key Results (From PCN)

- Number of Local Councils meeting the institutional, transparency and accountability eligibility requirements requirements for Local Development Grants
- Local Councils that complete 80/XX% of the capital investment subprojects responsive to community needs financed by Local Development Grants
- Number of councils that have mainstreamed community participation (50% women members) during planning, implementation and monitoring of Annual Investment Plans

Intermediate Results Indicators:

- Percentage of identified key technical staff¹³ that meet the required minimum skill requirements at all Local Councils
- Real-time / Monthly reporting of TLM, text books, medical supplies and drugs from districts and service delivery units
- Number of Local Councils with approved District Development Plans as a mechanism for the prioritization of investment subprojects.

D. Concept Description

18. The project supports a systemic and multi-level approach to local basic services delivery reform: Current diagnostics (e.g., Public Expenditure Tracking Survey (PETS)) and audit reviews (such as the annual report of the Auditor

¹³ Core technical staff could include Planning, Finance, Procurement, Monitoring, Internal Audit, Social Safeguards and also cover leadership management skills for the Chief Administrator.



General (AG)) report deficiencies on key service *processes*: for example, approximately 40 percent of supplied textbooks could not be accounted for by education district offices; 54 percent of drugs supplied in 2017 and 2018 did not reach the intended districts; and undocumented payments of Le 93.3 billion are reported at the local level in FY2018. Addressing the causes of those inefficiencies requires a systemic approach. The challenges (and potential solutions) are of different nature. Some are of a more technical nature (e.g. having an IT solution for the recording and tracking of the distribution or having a payment procedures or a procurement strategy). Others are related to institutional behavioral aspects (e.g. relationships among different actors who oversee the district health or educations teams), or how to create the incentives for the schools/districts and inspectors to provide reliable data on students or for service facilities to maintain records. To respond to these challenges, the project design adopts a *systemic* approach to priority needs related to basic services identified by the Government.

19. **Service delivery is affected by inefficiencies in the PFM systems at central and local levels.** Funds allocated to MDAs are significantly lower than the amounts announced in the annual budget, and are often subject to delays, thus making it difficult to plan. Late disbursement of funds leads to delayed and unpredictable budget execution with subsequent overspending, often due to payment of arrears or unauthorized expenses, or underspending caused by delayed procurement processes or bureaucratic payment processes.¹⁴ A few particular issues pertaining to the central government also influence PFM issues and practices at the district level. Notably, there are severe delays before central government transfers reach the councils, and ultimately, the district sector units and the service delivery units. At the district level, problems such as poor relationships between Local Councils and district sectoral units –(DHMTs/DEOs), weak documentation practices and reporting practices, lack of comprehensive internal auditing at LCs, and overall meager funds at the service delivery units (e.g. PHUs) plague the effective implementation of service delivery.

20. **Local Councils have basic financial management systems in place, but weaknesses of different nature prevent those systems from ensuring effective use of public funds.** In accordance with the LGA, LCs have adopted a basic organizational structure with established roles, responsibilities and systems. Financial management at local level is regulated by the LGA and PFM Acts. Overall, LCs follow an orderly budget preparation process, including consultations with stakeholders, but budget credibility is considerably affected by the lack of predictability in the funding, mainly from central level. Budget execution is also affected by a series of internal control weaknesses. Issues identified in the Audit Service Sierra Leone (ASSL) audit reviews include: (a) revenue arrears; (b) non-payment of statutory obligations; (c) unsupported payments; (d) over expenditure of budget lines, and (e) unapproved expenditure. The auditors concluded that the above findings resulted in a potential cash loss of Le 18.5 billion for 2018. Further, the compliance audit discovered there were insufficient documentations to support a total of Le 93.3 billion worth of procurement of goods, services and works. The audit also shows that Local Councils have been very slow in implementing recommendations from previous audits – less than half of the recommendations from the 2017 audit have been fully implemented.

21. **To mitigate impacts following COVID-19, the project will strengthen core local level systems, skills and provide resources for increased government engagement with citizens to support recovery and build resilience against future crises.** LCs have an essential role to play in government's direct engagement with communities. In view of the urgent need to support the recovery phase, this project's interventions respond at three levels that run in parallel: (i) the project will provide financing for local development needs, by incentivizing LCs to comply with defined eligibility requirements that help ensure the necessary systems, processes and staffing are in place; (ii) the project will strengthen the role of LCs as conveners of community engagement at district level through an enhanced planning, budgeting and monitoring function, which is related to building resilient institutions with stronger local compacts of trust, voice, and accountability; and (iii)

¹⁴ A study of the financing of the health sector identified that a request for drug payments, for instance, must go through 35 signatories before being approved.



the project will support improved audits and accountability measures of spending on the local level, including COVID-19 (and similar) crisis response.

22. **The project aims to cover interventions that address:**

- 1) **Core public management systems** (i.e., processes, procedures, tools) strengthening identified areas of PFM and procurement systems to support basic delivery at the local level
- 2) **Skills development at central and local level** as staff need to be both trained in existing basic administrative functions and be ready to absorb new procedures and tools)
- 3) **Integrated monitoring data platforms (including citizen engagement)** for improved management oversight, monitoring and accountability for key local level investments / services
- 4) **Local development grants to enable service delivery**, accessible on a competitive basis that incentivizes local structures for leadership, collaboration and coordination

23. **To achieve the PDO, the project is designed to engage at the central level and at the local level.** From a lens of service delivery to citizens, the local level comprises: (a) the Local Council; (b) the deconcentrated units of the ministries (District Education Office/DEO, District Health Management Team/DHMT); and (c) the service delivery units or SDUs (e.g., school, primary health facility). There are additionally central agencies that support local level service provision through delivering on their mandates that have a bearing on effectiveness of investments in local services - MOPED, NaMED, MoF, MoLG, ASSL, LGSC. The PDO related to strengthening accountability to more effectively deliver basic services cuts across both central and local levels (*see Figure 1*). This project interventions covers both 'upstream' issues of planning, budgeting, and institutional relationships between levels of government; and 'downstream' monitoring and accountability during implementation of specific key public service processes on the ground (e.g., distribution of TLM reaching schools, boreholes built, reduced essential drug stockouts). Currently, there is limited use of data to inform planning of already limited resources for the local level, whether these are related to sectoral allocation per district (e.g., education, health) or to inform the development plan of the district (e.g., district development plans, including capital- or investment-related development needs).

24. **The project engages Local Councils as the conveners at the local level in improving frontline service delivery.** The project will support Local Councils to operate with strengthened PFM capacity, better coordination with sector units, and increased citizen participation. Leadership at local level will be supported and citizens empowered with improved data management and strengthened reporting on service performance through project supported activities for coordination (e.g., district health/education coordination committees) and data platforms for monitoring (e.g., TLM distribution, oversight & management budgets available to DEOs from the Local Council). A key intervention will be project-financed Local Development Grants which will operate as a competitive grant mechanism that incentivize leadership in Local Councils to meet the eligibility requirements. The project financed technical assistance for institutional systems and capacity building of skills will be targeted support for Local Councils to meet the eligibility requirements to access the local development grant.

25. **To support the *interlinkages* between the identified areas of government-led reforms, the project design strategically supports the sequence that prioritizes (i) effective implementation of key systems and skills, (ii) improved data and citizen engagement, and (iii) increased responsiveness of development financing at the local level to address community needs.** While key implementation challenges ahead for fiscal decentralization, human resource decentralization and local governance strengthening have been identified, the reforms need to be sequenced. The project is designed to extend the gains made in central government financial and delivery systems to the local level and for key supply chain management of inputs in education and health, while ensuring the minimum skills needed in core public management functions for overseeing local services (Component 1). The weakness of data for accountability, monitoring



and planning is an additional priority focus (Component 2). Incentives for improved systems, skills and data management at the local level, however, fundamentally depend on funds being also available for development-related spending (Component 3). In so doing, the project builds further the institutional foundations needed for the government's future decentralization reforms of increased fiscal decentralization and accountable devolution of human resources for service delivery.

Component 1: Systems and skills strengthening for local services (central and local levels)

26. **This component will focus on improving the interaction between key systems at central and local level.** This will reduce delays, blockages, and inconsistencies between core PFM processes happening in councils and those happening at central level. Better alignment will both result in smoother interactions between the two levels of government and build confidence in the overall planning, budgeting, and execution process. The country's MTNDP further calls for the full implementation of the Local Council component of the PFM Strategy by 2023. This is evidence that going forward PFM reform at the lower levels is being given the same priority level as that in the central government. In particular, the project will be following up the existing PFM Improvement and Consolidation Project/ PFMICP, P133424, by extending focus of the World Bank support on delivering the local government-related aspects of the revised PFM Reform Strategy (2019-2021).

27. **At the central level, the project will focus on a number of key PFM functions that affect lower levels of government.** These include planning, budgeting, flow of funds, accounting and reporting, and auditing – with a focus on local level basic services. The project-supported activities will involve key agencies of the Central Government, such as the Ministry of Finance (MoF), the Ministry of Planning and Economic Development (MoPED), the National Public Procurement Authority (NPPA), Audit Service Sierra Leone (ASSL) and targeted support within the line ministries of Education, Health and Local Government.

28. **Procurement remains a critical area for improvement in the public service delivery chain.** The project will invest at the central level by strengthening the ability of key actors – such as the NPPA, ASSL), as well as the sector line-ministries – to effectively procure key inputs for basic services. It will also support the *local* level by building better systems to oversee and monitor the distribution of procured goods at the local level. This will respond directly to recent evidence that substantial leakage and poor record keeping in the distribution process are undermining the service delivery impact of procured items. These reforms will be done in close partnership with World Bank sector programmes in these areas. The new project also supports implementation of the policy area related to procurement under the Third Productivity and Transparency Support Grant (P169498).

29. **At local level, it will focus on building the capability of core council staff, on the Local Government Service Commission (LGSC) in its role in overseeing this, and in promoting better audit.** The lack of effective management and training of Local Council staff in core PFM processes continues to pose a challenge to increased resource transfer to the local governments under Sierra Leone's decentralization process. The LGSC has completed a report on the verification exercise of the core staff of Local Councils and found that there is a mismatch between staff qualification and positions. Although there are relatively few vacancies (93% of sanctioned core staff were in place within LCs), the lack of clear systems and processes for staff recruitment, transfers, promotion, and targeted trainings have served as a demotivating factor for staff at the local level and has negatively impacted on the ability of LCs to effectively deliver on their core administrative functions. The project will support the LGSC in its collaboration with relevant central MDAs on identified core PFM technical areas (e.g., internal audit, planning) to ensure that the systems and processes for effective management that it established for core LC staff are aligned with cross-government approaches. In addition, the project



will support strengthening audit oversight of Local Councils – both financial and performance audit – by further support for ASSL’s role in this process.

30. Project Component 1 will finance technical assistance, goods (including IT infrastructure), training, workshop, operating costs, and capacity building activities: i) to support central level entities (MoF, MOPED, NPPA, and ASSL) in the design, strengthening and implementation of key PFM functions (e.g. District Development Plans, web based accounting system, e-procurement, sector procurement strategies, performance audits of service delivery); ii) to support LCs in the implementation of streamlined PFM processes and procedures and tools, and iii) to support to LGSC in putting in place a system for the provision of targeted training to LCs’ core staff.

Sub-Component 1.1: Support PFM Reforms

This sub-component would focus on strengthening key PFM functions to support basic service delivery at local level, including tools, procedures and skills building for central and local level staff. Key interventions will include:

- (i) Enhanced district planning by strengthening the linkages between district planning with sectoral planning;
- (ii) Enhanced coordination among local level stakeholders for more efficient resource allocation at local level (e.g., support to proposed District Coordination Committees);
- (iii) Strengthened budget execution through streamlined and ideally automated procedures to facilitating financing of deconcentrated central ministry district units and/or service delivery units;
- (iv) Enhanced, timely, and publicly available reporting through the implementation of an upgraded web-based PETRA Financials accounting software,¹⁵ and an updated chart of accounts;
- (v) Improved systems -procedures, tools, internal controls and standards for the recording and reporting of own source collected revenues by districts (LCs and chiefdoms) based on National Revenue Authority (NRA) guidelines;
- (vi) LCs’ strengthened capacity to develop a district strategy to increase revenue collection (e.g. identifying potential new sources, required enhancements to the tax administration systems and collection facilities); and
- (vii) Strengthened internal control and internal audit function.

Sub-Component 1.2: Support Procurement Systems Reform focusing in Education and Health

Building upon the ongoing World Bank support to PFM at the central level (through PFMICP, P133424), this project will support the strengthening of country public procurement systems through:

- (i) The implementation of the e-GP system and its operationalization in two key service delivery sectors – education and health
- (ii) The preparation and implementation of a sector procurement strategy for health and education with related support for Framework Agreements etc., focused on key spending items considered critical for service delivery at the local level (e.g. textbooks, TLMs, and medical supplies), and

The reforms supported through this sub-component will initially deliver a sector procurement strategy in education and in health that aims to carefully tailor the procurement approach for delivering the sector outcomes; taking into consideration the circumstances, and business and operating environment of the particular procurement needs in each of the two service delivery sectors. Each sector procurement strategy will include an assessment of operating context and capability within the particular sector ; analysis of procurement risk; stakeholder analysis; as well as procurement approach options, including procurement tools and techniques to achieve value for money.

¹⁵ With the capability of budgetary control, expenditures and revenue recording, and capture of a multidimensional chart of accounts, PETRA Financials is considered a powerful tool for local government’s financial accountability and control. The current challenge has been lack of connectivity and poor use of the PETRA system.



Sub-Component 1.3: Support to Local Government Service Commission (LGSC)

The objective of this sub-component is to strengthen the LGSC to enable it to perform its mandated functions and subsequently ensure LCs have staff with qualifications aligned to their functions. Project-supported interventions will have the following objectives:

- To support the LGSC prepare a roadmap for improved management and capacity building of technical staff in LCs in collaboration with identified central MDAs and/or educational institutions;
- To support a targeted training schedule and capacity building of core technical staff of LCs;
- To commence implementation of performance appraisal system of the core staff of all LCs;
- To develop a human resource management policy, guidelines and scheme of service for LC staff.

Sub-Component 1.4: Support Strengthening of Local and Performance Audits

The objective of this sub-component is to improve the oversight of local government. The sub-component will incentivize and support the institutionalization of annual financial audits of local governments and the issuing of audit opinions, which are constitutional requirements. The project, by expanding the existing TA by the PFMICP to ASSL, will support strengthened Local Council audits, including focused performance audits. Interventions will have the following aims:

- Strengthening the public finance accountability loop by supporting the ASSL to undertake timely audits of all local government financial statements;
- Providing performance audits in identified key areas of local service delivery (e.g., use of local development grants to deliver citizen priorities);
- Strengthening real-time audits of government funds allocated to combat the COVID-19 (and similar) crisis, as was done under Ebola (2014-15);
- Developing and promoting widespread citizen-oriented audit reports at the local level;

Component 2: Integrated data platforms for monitoring and accountability

31. **The project will support the government's proposed reforms to improve data management and reporting at local level through targeted support to the priority education, health sectors and to LCs.** Government has identified a need to address the weak incentives for collecting and using data, including ways to strengthen data management itself as an effective tool for resource allocation. Part of this will involve supporting LCs in their role in managing and using local service delivery data flows. Importantly, it will also support Component 1.2 on procurement described above by strengthening the role of Local Councils in overseeing and protecting the distribution of key commodities in the 'last mile' of the supply chain. It will also support the National Monitoring and Evaluation Department (NaMED) to initially demonstrate the usefulness of data monitoring for investments in key basic services at local level as part of its mandate towards a national automated M&E System (NaMEMIS) that intends to link the monitoring units of MDAs, LCs, contractors, NGOs, and donor-funded projects. This system is proposed to be a GIS-enabled web-based internet portal onto which LCs are expected to post their data and reports, but also from which they may access information on actions taken at the central level. The Government has also invested in a number of innovative digital platforms (e.g., Education Data Hub) to support service delivery through the work of the DSTI (Directorate of Science, Technology and Innovation).

32. **The Component will address three different levels of support:** (1) Support to Local Councils as conveners of data on service delivery investments and performance at the local level, enabling community engagement; (2) Support to data management platforms on the vertical distribution chain of key sectorial spending on local services at the central level in Education (text books, TLM) and Health (drugs, medical supplies); and (3) Technical and operational support to the NaMED, as the newly established government-wide entity, to support its collaboration with DSTI and key technical MDAs in Health, Education, and Local Government to provide technical leadership for the introduction of simplified, streamlined and automated data platforms for monitoring and accountability.



33. **This component will finance technical assistance, goods (including IT infrastructure), training and workshops and operating costs to support NaMED in its interaction with MDAs, LCs and other local stakeholders**, for: i) the development of the new M&E strategy and its operationalization for the local level; ii) the design and implementation of supply chain data platforms (text books, TLMs, drugs and medical supplies), iii) the roll-out of new citizen engagement and data monitoring platforms, guidelines and procedures for strengthening participatory processes at district and ward-levels that promote participatory processes of decision-making and social accountability; and iv) communications activities and outreach.

Sub-Component 2.1: Support Systems for Local Council Monitoring and Reporting

Through the technical leadership of NaMED, monitoring and reporting by LCs on capital investments and recurrent sectoral transfers in priority local level sectors (education, health, agriculture, rural water) will be improved. Project activities will:

- Support TA for an increased role for LCs in reporting on district-level investments and service performance in education (engaging DEOs), health (engaging DHMTs), and engaging traditional / chiefdom structures as conveners of community participation (including on budget transparency, participatory/third party monitoring and reporting);
- Support the development of an M&E operational plan that focuses on M&E from council level to ward levels using increased standardization across LCs for improved monitoring of development interventions. The local M&E strategy and operational plan will draw from the NaMED's National M&E Policy and will be linked to operationalizing the local level module of the PFM Reform Strategy in order to effectively monitor both results delivered, and associated funds disbursed and spent from central to local level, particularly in education and health;
- Support communications and outreach interventions (radio, SMS etc.) including targeted messaging for community engagement and informed decision making. This support will include the generation of community feedback systems on development results and service delivery; and ensure such feedback flows back into development planning at district and national level.

Sub-Component 2.2: Support Supply Chain Data Platforms for Textbooks, TLM, Drugs and Medical Supplies

- Support the collaboration between the NaMED and DSTI, in its engagement with the MDAs of education and health, to support the recording, control and reporting of distribution through the supply chain, including service delivery dashboards on distribution of (i) textbooks; (ii) TLM, (iii) drugs; and (iv) medical supplies. Data platforms will be designed to allow inputs from citizens, wherever possible, including through Ward Development Committees and community-based organizations (CBOs).
- Support the design and roll-out of innovative digital and offline/online platforms, including GIS-tagging, to facilitate the above.

Sub-Component 2.3: Supporting the demonstration effect of using data platforms for decision-making at local level and two sectors (education, health) towards the development of NaMEMIS

- TA support to NaMED to build its collaborations with other key identified sector MDAs for simplified, streamlined and automated data platforms on monitoring and accountability.
- Support use of data platforms by LCs and central MDAs overseeing management of basic services in education and health as a demonstration effect for an umbrella NaMEMIS.
- Support transparency through publication of regular, easy-to-use, monitoring reports (e.g. summary use of funds and implementation of progress on investment projects at the local level)
- Support NaMED's engagement with LCs and community groups and beneficiaries to participate in, or conduct and manage reviews, studies and evaluations of, data produced; including using this as inputs to further revise and efficiently use developing data tools (incl. NaMEMIS).



Component 3: Local Development (IDA: US\$21.5 million)

34. **The aim of this project component is to support the inter-governmental fiscal transfer systems, with a focus on local development grant financing.** While the current system has a number of strengths – as noted above – it also requires improvement. This is both in terms of actual implementation of the system (i.e. using the system to transfer funds regularly and predictably), as well as further developing the system to change the balance between tied and untied sector grants to better reflect policy changes over the period since its inception.

35. **This component will provide support for the implementation of locally-identified development priorities while strengthening core council systems.** As noted above, transfers from central to local government for capital expenditure are equivalent to only US\$0.24 per head in 2018, severely undermining the ability of Local Councils to lead development planning in their area. The dual objective of extra financing and better systems will be delivered by making the grants competitive in the sense that Local Councils will have to meet a certain benchmark of operational effectiveness before being eligible to receive additional funds. The Component will strengthen current systems by using the existing expenditure and project eligibility guidelines for Local Councils.

Sub-Component 3.1: Local government development grants

This Sub-Component would finance development grants that allows eligible LCs to invest in sectoral or economic capital projects that are identified as local priorities in the District Development Plans. Under Component 1, the project envisages piloting flexible processes whereby all local actors gradually build and consolidate the terms and arrangements for coordination in identifying district priorities identified through strengthened planning process and support to the implementation of those plans. This Component will then support implementation of those identified priorities. The project would pilot a simple mechanism for allocating development grants based on an agreed-upon formula of amount US\$50,000-100,000 for an annual/semi-annual allocation, but still introducing some eligibility requirements. It is expected that investment requests during the first years are aimed at supporting Local Councils to cope with immediate COVID-19 crisis related impacts, including provision of public goods such as water supply, temporary health clinic extensions, public hand-washing and sanitation stations; repurposing marketplaces to meet minimum health and security standards, etc.

To access the funds, LCs will be required to comply with program-stipulated *eligibility requirements* on a yearly basis. Eligibility requirements would include management of core systems and indicators that basic capacity was in place for the effective administration of funds (e.g. basic competence in areas like financial management, procurement, and social and environmental oversight to evidence by adequate performance in producing annual audited financial statements, District Development Plans, annual budget and procurement plans, etc.). Compliance with eligibility requirements would be reviewed on an annual basis. Those rural district LCs with limited capacity to mobilize their own revenues will particularly benefit from increased resources for investments. The allocation criteria will be agreed to ensure protection of horizontal equity between councils, while respecting the requirement to meet the project-defined eligibility requirements for the local development grants.

The financing of development grants constitutes an incentive for LCs to embrace and later sustain institutional strengthening efforts supported under Component 1. Accordingly, the eligibility requirements for LCs to access to funding under Sub-component 3.1 would be mainly of an institutional, transparency and accountability nature. Detailed indicators would be defined during project preparation, but overall the following principles would be observed: i) simple, but challenging indicators for LCs, ii) *stepped approach* that allows LCs to gradually advance in the level of effort involved and the size of the grant; and iii) capacity at central level to orderly and transparently manage the grant mechanisms securing adequate TA to LCs.



Sub-Component 3.2: Support strengthened project management cycle for local development

This sub-component will provide: (i) TA for supporting the operationalization of the second-generation fiscal decentralization framework (enabling a shift towards untied sectoral block grants to LCs), (ii) TA for local public investment, and (iii) TA for managing project-financed development grants (under sub-component 3.1). The main outputs will include: (a) inter-governmental fiscal transfer system that shifts towards untied sectoral grants and transparent criteria for allocation and timely transfers of development grants; (b) transparent local level Public Investment Cycle of projects to be undertaken by LCs (covering design and costing, appraisal, budgeting for whole project, implementation and post evaluation); and (c) improved supervision of investment subprojects managed by LCs.

Component 4: Contingent Emergency Response Component (CERC)

36. **The component will provide funding following an eligible emergency.** The component will include conditions for the use of funds, and will only be triggered when certain actions, as agreed by the Government and Bank teams, are met. These actions include the following: (i) the country experiences an eligible emergency; and (ii) the country presents a sound and actionable country-level response plan. Once triggered, the component will be guided by Investment Project Financing (IPF) Policy, Paragraph 12, which enables rapid reallocation of funds between project components following an emergency. Together with the operational, fiduciary, procurement, disbursement and financial management arrangements that underpin its implementation, the component provides a conduit for additional emergency funds into the project.

Component 5: Project management and implementation support (PMIS)

37. **This component will cover the costs of managing the project as well as the specific activities for project monitoring and evaluation (M&E).** This component will provide project management support to the Ministry of Finance for project implementation, including the support needed to operationalize the collaboration with other central and local agencies participating in the project. On a preliminary basis, it is expected that the MoF will put in place a dedicated Project Implementing Unit (PIU) that would include technical, fiduciary, M&E, and safeguards specialists that would directly work with the Fiscal Decentralization Division, the PFM Reform Unit and the Fiduciary Management Unit (PFMU) that will be responsible for the project's fiduciary aspects (procurement, FM, disbursement, and audits). Details on the team composition and profiles will be discussed during project preparation, with duties and accountabilities elaborated in details in the Project Operations Manual (POM). This component will cover the administrative costs associated with the proposed project and its overall coordination, including communication and outreach to project stakeholders.

The implementation of the Local Development Grants financed through the project will be supported by a dedicated team within the PIU. This team will comprise members from the Fiscal Decentralization Division (FDD) in the Ministry of Finance, and will liaise with the Investment Management Directorate (PIMD) of Ministry of Planning, and the Ministry of Local Government. The team would also undertake overall responsibility for providing capacity building to LCs, for the preparation and implementation of investment subprojects, and for supervising and monitoring implementation of these subprojects by LCs. In addition, at every Local Council, technical officers in-charge of financial management, procurement and economic and social oversight will be trained on the specific Subproject Manual that will set out clearly the MCs and eligible expenditures.



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

The Project's Environmental and Social Risk is rated as Moderate. The risk rating takes into account the potential risks and impacts associated with the civil works that will be implemented, as well as the client's capacity to implement the requirement of the World Bank's ESSs. The nature and scope of the project's anticipated risks under Component 3, are not expected to be adverse given that civil works will not be complex and will be limited to existing public assets. In addition, no new land acquisition and no natural or sensitive habitats are anticipated to be affected by the civil works. Therefore, the project's construction activities will only generate minimal adverse impacts that will be site specific and limited to the immediate environs and can be mitigated through the implementation of cost-effective measures.

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