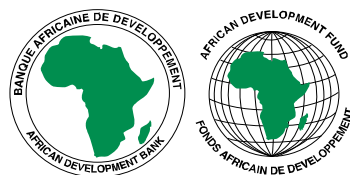


AFRICAN DEVELOPEMENT BANK GROUP



**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

Evaluation of Policy Based Operations in the African Development Bank, 1999-2009 Country Case Study: Sierra Leone

High Level Evaluations Division (OPEV.2)

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Executive Summary

Introduction

Sierra Leone has over the period covered by this evaluation seen the end of an extremely destructive civil war that began in 1991 and finally ended at the start of 2002. Since then,, Sierra Leone has successfully conducted two general and presidential elections and two local elections. The 2002 election which saw President Kabbah re-elected in a landslide victory was judged free and fair by election observers as were the first local elections in 35 years that were held in 2004. The 2007 elections marked an important milestone in the consolidation of peace in Sierra Leone with a peaceful transfer of power to the All People's Congress (APC) under President Koroma.

Donor support has increased since the ending of conflict and has amounted to around USD 400 million a year in most years since 2001, with the peak of support in 2007. Budget support and balance of payments support has provided an important part of overall donor support in the post-conflict period. Between 2001 and 2006, budget support averaged about 3.6% of GDP. The fall in General Budget Support (GBS) provision in 2006 reflected a donor response to the weakening of controls over public expenditure ahead of elections. A Multi-Donor Budget Support (MDBS) framework was agreed in 2006 by the budget support donors (WB - IDA, EC, DFID and AfDB). While a signatory of the MDBS Memorandum of Understanding since 2006, the AfDB did not disburse budget support formally within this framework until 2009.

The dominant role of three donors (the UK, EC and IDA) has to some extent facilitated aid coordination, though this remains constrained as a result of weak government institutional capacity. Donor coordination is improving as most donors have aligned themselves with Sierra Leone's Poverty Reduction Strategy Papers (PRSPs) and because of close working relations between the main donors. Since 2001, the Government of Sierra Leone (GoSL) has articulated and implemented a series of poverty reduction strategies, the most recent being the "Agenda for Change" which derived from the APC's 2007 election manifesto and to which President Koroma has shown strong personal commitment., Sustained economic growth, a reasonable degree of macroeconomic stability, and particularly significant progress in improving public finance management have been achieved, despite significant implementation constraints, relating in particular to lack of capacity within the civil service.

Since 2008 the government of Sierra Leone appears to have a stronger strategic focus and direction (through the strong promotion of the Agenda for Change by the President as the centrepiece of government's strategy). As a result there is high level political commitment to achieving development results. However there remain major concerns about corruption and fiscally unfavourable agreements with private companies, highlighted by high profile cases in relation to mining agreements, electricity generation, and military procurement.

Overall Assessment

The Bank has approved four Policy Based Operations (PBOs) over the evaluation period. These have been provided in support of clearly articulated Government of Sierra Leone strategies and have been developed in close consultation with other development partners. The PBOs have provided UA 48 million representing 28% of the total ADF programme in the country. Each has involved a two tranche operation. The first (Economic Recovery and Rehabilitation Programme (ERRP) I – 2001-2) was an African Development Fund (ADF) loan and was focused principally on financing imports during the immediate post-conflict period.

ERRP II (2003-5) was also an ADF loan but focused more on support to public financial management (PFM) reform in terms of its objectives. ERRP III (2005-6) was an ADF grant. Reductions in the ADF allocation because of worsening debt distress resulted in a substantial reduction in the resources available for the operation compared to what had originally been approved. The fourth operation (EGRP I – 2009-10) took place as a grant under the Fragile States Facility (which substantially increased the resources available compared to the ADF allocation and provided greater flexibility in their use) and with the Bank participating fully in the MDBS arrangement for the first time.

All the operations completed have been judged satisfactory in terms of their overall performance. Implementation delays have been substantially less than for the rest of the country portfolio and overall performance has been better, though significant delays (of six months or more) in disbursement have occurred under ERRP I, ERRP III, and EGRP. In each case these delays have been due to difficulties encountered by the Government of Sierra Leone in completing conditions largely as a result of capacity constraints.

Findings

Performance and Impact

Budget support and PBOs have played an important role in sustaining Sierra Leone's recovery from conflict to which the Bank's support has made a contribution

The provision of Balance of Payments support by the Bank through the Economic Reconstruction and Rehabilitation Programs (ERRP) I, II, and III between 2001 and 2006 provided (along with support from other donors) an important contribution to Sierra Leone's post-conflict economic stabilisation and recovery. It also contributed to strengthening PFM systems, although the capacity building impact was reduced compared to what was originally envisaged because of the delay in providing complementary support under ERRP III. Predictability of support was adversely affected by the scaling back of support under ERRP III as a result of the alteration of Sierra Leone's debt distress status. Multi Donor Budget Support (following on from earlier Balance of Payments support) has also played an important role in Sierra Leone's post-conflict stabilisation and recovery. There remain, however, significant donor concerns about the limited progress in increasing domestic revenue effort, and significant weaknesses in government capacity for effective service delivery remain.

Bank support that has been effectively harmonised with other development partners has contributed towards significant progress in strengthening PFM systems

Significant progress has been made in strengthening Sierra Leone's public finance management system, with the principal risks now relating to weaknesses in budget execution, including the absence of systems to report on results achieved from public expenditure.

The relative simplicity of MDBS arrangements in Sierra Leone has facilitated Bank involvement, although GoSL involvement beyond MOFED has been limited contributing to failure to meet some benchmarks

The MDBS arrangement in Sierra Leone has been a relatively light and less structured process compared to MDBS arrangements in many other African countries, since it has involved only four donors (plus the IMF as an observer), the process for PAF agreement and monitoring has been relatively informal and largely conducted through meetings between the MDBS donors and officials of Ministry of Finance and Economic Development (MOFED). This has made it easier for donors with a relatively light field presence to be effectively engaged by facilitating effective and flexible dialogue with MOFED. The disadvantage is that

involvement of the GOSL beyond MOFED has been variable, and coordination of response to ensure delivery of the PAF as a whole within GOSL has been weak. This has affected the capacity of GOSL to deliver on some benchmarks and has contributed to delays and unpredictability in the receipt of budget support funds, which has constrained government expenditure.

The relationship between conditions and performance indicators for PBOs is not fully clear

EGRP I included 21 performance indicators and indicative targets. The level of achievement of these targets is being assessed as part of the preparation of the project completion report (PCR) for EGRP I. The relationship between the prospects for achievement of these performance indicators and the specific conditions precedent to disbursement of the two tranches is not fully clear, and resulted from a process of negotiation during the preparation of the operation between GOSL and the Bank.

There does not appear to be a relationship between the results that are considered as potentially attributable to the AfDB's operations, and the level of funding provided

Assessments of the results of the Bank's PBOs (for instance in PCRs) have focused on progress against benchmarks and defined objectives in terms of policy and institutional reform. There is however in most cases no evident link established between the Bank's activities (and specifically the amount of finance provided) and the outcomes identified. In addition, the level of financial resources provided by the Bank appears to have been determined principally by considerations of availability of funds and the Bank's overall portfolio, rather than by an overall assessment of GoSL financing needs and the appropriate division of this between MDDBS donors.

The Bank's PBOs have performed better than has the Bank's country portfolio as a whole

The Country Portfolio Review in 2009 identified significant problems with the Bank's operations in Sierra Leone including delays in effectiveness and implementation that were longer than the average Bank operation. Although there have been some delays in implementation with PBOs, these have been substantially fewer than for the rest of the country portfolio, and completed operations have all been rated as satisfactory.

Strategic Issues

The ability of the Bank to participate fully in MDDBS arrangements and to continue with the provision of budget support has depended on the Fragile State Facility (FSF)

The establishment of the FSF enabled the Bank to participate fully in Multi-Donor Budget Support (MDDBS) arrangements through the Economic Governance Reform Program (EGRP) grant, in a form that was closely tied to institutional reform and capacity building support initiatives. The FSF increased by about 50% the Bank group resources available to Sierra Leone, compared to the country's ADF allocation. The use of the FSF has also meant that the Bank has been able to accept a higher level of fiduciary risk than would otherwise have been possible through the use of direct budget support in a country at Sierra Leone's low level of capacity (as measured by the CPIA or PEFA criteria) using ADF resources.

AfDB involvement in budget support has been a significant part of a joint donor effort – it is not evident that the Bank has had any particular comparative advantage or special role in this process beyond the funding that has been provided

The Bank's PBOs have been part of a strongly harmonised joint donor engagement within generally common management arrangements and conditions. The Bank relied to a

significant degree upon the analysis carried out by its partners. Whilst the Bank has made considerable financial commitments it has not contributed to policy dialogue.

The establishment of the Sierra Leone Field Office has increased the ability of the Bank to participate in MDBS arrangements and has improved monitoring but power remains at HQ level

The Bank's lack of field presence (before the establishment of the SLFO in December 2006) significantly limited the extent to which ERRP I to III could be monitored by the Bank, and to which the Bank was able to use its support to participate more effectively in policy dialogue.

The SLFO is regarded by other development partners as effective and relatively well-staffed and its existence has greatly strengthened the Bank's capacity for engagement in national policy processes and for project supervision. However, the continued centralisation of management (of the country portfolio as a whole and of projects) in Tunis appears to militate against an effective multi-sectoral approach (and the taking of cross-sectoral perspectives) in the Bank's programme. It also means that local level insights and skills are probably not used as effectively as they could be. This is especially significant for budget support given the cross-sectoral complementary potential of this instrument.

Design

Delays in meeting conditions have led to disbursement delays

The Bank has had to seek a Board waiver of the second tranche condition for EGRP I. This relates to the failure to meet a benchmark and has resulted in a delay to disbursement. The failure to meet the condition appears to reflect a lack of effective coordination by the GOSL side, combined with over-confidence that it would be possible to fulfil the condition. The GOSL then failed to communicate early enough that they would require additional technical support to meet the benchmark, and donor monitoring failed to identify the likely problem in this area early enough. These delays reflect overly ambitious targets from GOSL in the face of a lack of capacity, rather than political obstacles to implementation.

The Bank's approach to budget support in Sierra Leone is not multi-sectoral and there have been no attempts to seek synergies between the Bank's sectoral project involvement and the provision of budget support

Direct Budget Support has the potential to be complementary to other forms of support, and is designed to be so for some donors (e.g. DFID). However, the Bank's involvement in providing budget support in Sierra Leone does not appear to have had this as an explicit objective, except to the extent that improvements in the PFM system could be expected to generate benefits for the Bank's portfolio as a whole.

Delays in producing PCRs during the first half of the evaluation period limited the ability of the Bank to identify and learn lessons in a timely way

PCRs for Structural Adjustment Loan (SAL) I, ERRP I and ERRP II were not produced until near the end of implementation of the subsequent PBO (ERRP III). This prevented them playing any useful role in learning from experience.

Concluding Comments

The overall assessment from the case study was that the Bank has participated within the generally effective MDBS arrangement, and that this has been enhanced by the establishment of the SLFO. The existence of the FSF has been important for enabling this role to be sustained and increased, although the Bank's contribution to policy dialogue has in general been limited. The Bank has provided complementary support to strengthening public

finance management but there have been no attempts to build synergies between the Bank's engagement in budget support and the rest of its investment operations.

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Currencies and Measures

Currency equivalents

As of September 2010

UA 1.00 = SLL

UA 1.00 = £ 0.979557

UA 1.00 = US\$ 1.50891

Financial Year

1 January to 31 December

Abbreviations

AfDB	African Development Bank
ADF	African Development Fund
APC	All People's Congress
BAN	Budget Advocacy Network
CC	Core Committee
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CPIA	Country Policy and Institutional Assessment
CPPR	Country Portfolio Performance Review
CPR	Country Performance Rating
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DACO	Development Assistance Coordination Office
DEPAC	Development Partners Committee
DFID	Department for International Development
DP	Development Partner
EC	European Commission
EGRP	Economic Governance Reform Programme
ERRC	Economic Rehabilitation and Recovery Credit
ERRL	Economic Recovery and Rehabilitation Loan
ERRP	Economic Recovery and Rehabilitation Programme
ESAF	Extended Structural Adjustment Facility
FMAS	Financial Management and Accountability System
FSF	Fragile States Facility
FY	Financial Year
GDP	Gross Domestic Product
GoSL	Government of Sierra Leone
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IFC	International Finance Corporation
IFMIS	Integrated Financial Management System
IMF	International Monetary Fund
IPFMRP	Integrated Public Financial Management Reform Programme

I-PRSP	Interim Poverty Reduction Strategy Paper
IRCBP	Institutional Reform and Capacity Building Project
JAS	Joint Assistance Strategy
LTA	Local Technical Assistance
MDA	Ministries, Departments, Agencies
MDBS	Multi Donor Budget Support
MDBSG	Multi Donor Budget Support Group
MDRI	Multilateral Debt Relief Initiative
MoFED	Ministry of Finance and Economic Development
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NRS	National Recovery Strategy
ODA	Official Development Assistance
OPM	Oxford Policy Management
OSGE	Governance, Economic and Financial Management Department
PAF	Progress Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PBL	Policy Based Lending
PBO	Policy Based Operation
PCR	Project Completion Report
PFM	Public Finance Management
PIU	Project Implementation Unit
PMDC	People's Movement for Democratic Change
PPP	Purchasing Power Parity
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSR	Public Sector Reform
RBCSP	Results Based Country Strategy Paper
RMC	Regional Member Country
RUF	Revolutionary United Front
SAF	Structural Adjustment Facility
SLFO	Sierra Leone Field Office
SLL	Sierra Leonean Leone
SLPP	Sierra Leone Peoples' Party

SPU	Strategy and Policy Unit
TAF	Technical Assistance Fund
UA	Unit of Account
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations' High Commissioner for Refugees
USD	United States Dollar
WB	World Bank

1 Introduction and Background

This country case study of Sierra Leone is one of a series of case-studies that has been undertaken as part of an independent evaluation commissioned by the African Development Bank (AfDB) of the AfDB's Policy Based Operations (PBOs). PBOs are quick disbursing aid instruments which are defined by the AfDB (2009c) as:

*Funds that are channelled directly to the partner government's general treasury account and subject to the country's own systems for public financial management i.e., allocation, procurement, accounting and auditing procedures.*¹

The general purpose of the transfer is to support policy and institutional reforms that promote economic growth and poverty reduction. PBOs include balance of payments support, sectoral adjustment lending to support reforms in specific sectors, policy based lending for governance, general budget support and sector budget support. This evaluation has been designed to examine the application of PBOs used by the Bank over the period 1999-2009. The objectives and purpose of the evaluation are outlined in Box 1.1.

Box 1.1 Objectives and Purpose of the Evaluation of Policy Based Lending

The overarching objective of the evaluation is to examine the relevance, efficiency and effectiveness of the PBL instrument as used by the Bank in regional member countries over the period 1999 – 2009. Specific attention is being given to the evaluation of:

- ◇ *The AfDB's institutional and policy framework for the design, appraisal and delivery of PBL:* to evaluate the Bank's formal policy framework, procedures, skills and organisational structure for the delivery of PBL. How well does this reflect emerging international (and Bank) best practice; and is the Bank organisationally equipped to deliver best practice PBL efficiently and effectively?
- ◇ *Policy and practice:* to evaluate the Bank's approach to the design, appraisal and delivery of PBL instruments in practice and how well this fits or deviates from Bank policy guidelines, with international best practice and country context and needs.
- ◇ *Choice of aid instruments:* to evaluate how choices are made about the use of aid instrument in the country programmes and how relevant it is to the partner country's problems, policies and priorities
- ◇ *Effects at country level:* To assess the contribution made by the AfDB to policy dialogue, joint processes, institutional strengthening and other relevant areas where PBL is focused.

Source: Study Terms of Reference

The country case studies have been designed to complement the work undertaken by the evaluation team at AfDB headquarters and more specifically the Institutional and Policy Review, by providing additional information on the operation of PBOs at country level. Six country case studies have been undertaken to gather evidence relating to AfDB policy, processes and choices relating to PBOs from 1999-2009.

The country case studies include Morocco, Sierra Leone, Ethiopia, Rwanda, Burkina Faso and Tanzania. Each study involved a country visit and interviews with the AfDB in Tunis, the AfDB office in country, government, civil society organisations and development partners.

¹ Or, in the case of balance of payments support, funds are channelled through the central bank and consequently subject to country systems.

The country visit for Sierra Leone took place from 28th September until 8th October. The team leader was Stephen Jones who was assisted by Dr Michael Kargbo.

The second section of the report provides some background on the Sierra Leone context including aid flows, the aid architecture and the national development strategy and performance over the evaluation period. The third section describes the AfDB's country strategy and portfolio over the evaluation period, and the fourth section the main PBOs that the Bank has implemented. The fifth section outlines the key findings from the evaluation, while the final sections provides reflections on issues emerging both for the Bank's use of PBOs in Sierra Leone and in relation to the overall objectives of the evaluation. Annex A contains the Evaluation Matrix providing a summary of the main findings in relation to the key evaluation questions. Annex B presents a timeline of events. Annex C lists people interviewed for the study. Annex D presents summary information on PBOs undertaken in Sierra Leone, and Annex E summarises the Bank's country portfolio.

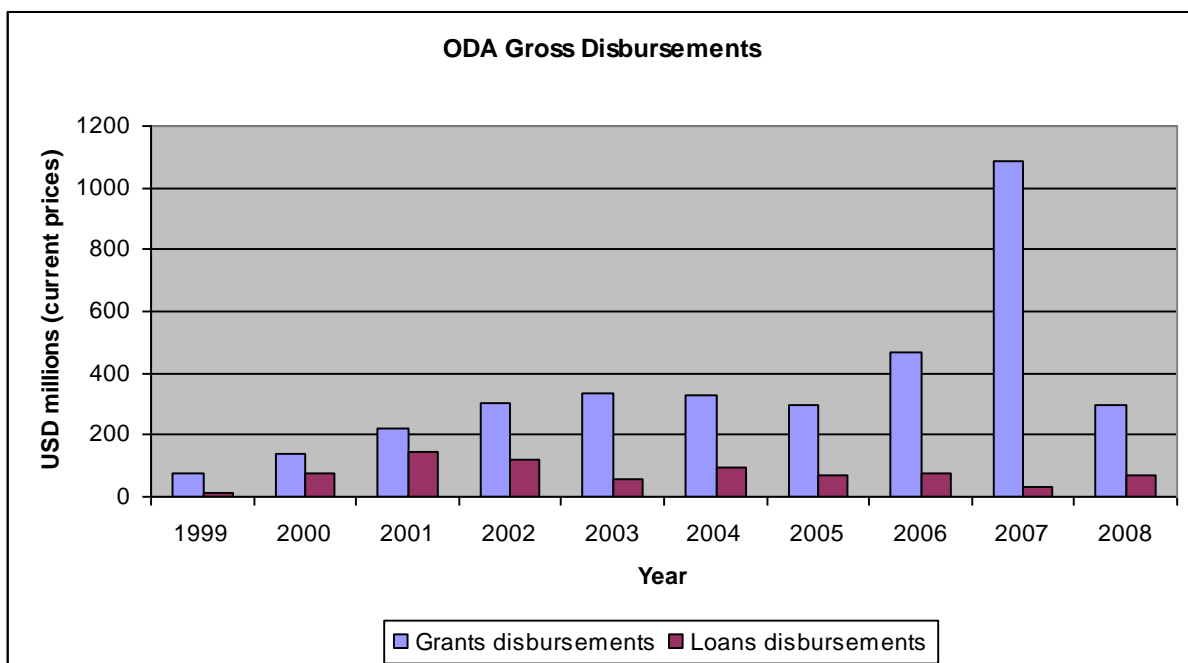
2 Sierra Leone context

2.1 Brief history of aid to Sierra Leone

Sierra Leone has over the period covered by this evaluation seen the end of an extremely destructive civil war that began in 1991, fuelled by opposition to autocratic and corrupt government, influenced by the spill-over effect of the civil war in neighbouring Liberia, and by a collapse of both service provision and the state's ability to maintain law and order and effective control over its territory. The January 1999 invasion of Freetown by the main rebel force, the Revolutionary United Front (RUF), and elements of the Sierra Leone Army, which left 5,000 people dead, forced the government of President Kabbah (which had been elected in 1996) to the negotiating table. After six weeks of talks in the Togolese capital, the Lome Peace Agreement was signed in July 1999 with the RUF receiving posts in the government and assurances they would not be prosecuted for war crimes. UN troops were to police the agreement but when they failed to do this effectively the UK government intervened militarily in May 2000, forcing the rebels out of Freetown and shoring up the UN peacekeeping force. The stability engendered by the UK intervention enabled the UN to fully deploy in the country and embark upon demobilization of ex-combatants, and by January 2002 President Kabbah had officially declared the war over.

As shown in Figure 2.1, donor support has increased in the wake of the ending of conflict and has amounted to around USD 400 million a year in most years since 2001, with the peak of support in 2007 – though this largely reflects the write-off of most of Sierra Leone's debts under HIPC in that year.

Figure 2.1 Sierra Leone: Gross Loan and Grant Disbursements: 1999-2008

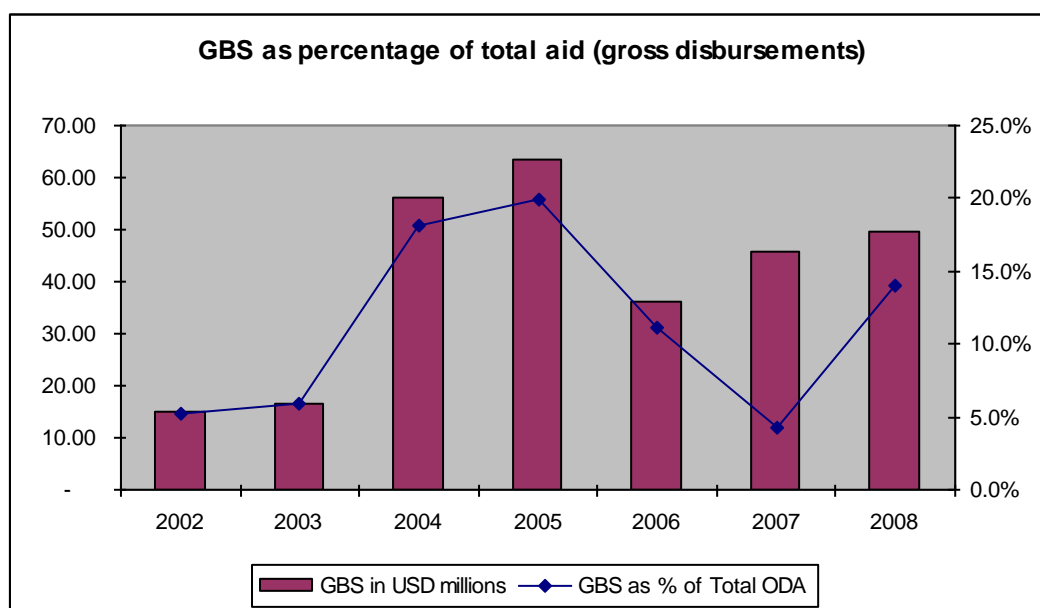


Source: DAC statistics: http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP

Since the end of civil war at the start of 2002, Sierra Leone has successfully conducted two general and presidential elections and two local elections. The one in 2002 which saw President Kabbah re-elected in a landslide victory was judged free and fair by election observers as were the first local elections in 35 years that were held in 2004. The 2007 elections were, however, to mark an important milestone in the consolidation of peace in Sierra Leone. Power was peacefully transferred to the opposition All People's Congress (APC) after they won a closely fought race. The APC won the presidency and 59 seats in Parliament, the Sierra Leone People's Party (SLLP) 43 and the newly formed People's Movement for Democratic Change (PMDC) won 10 seats.

Budget support and balance of payments support has played an important part of overall donor support in the post-conflict period. Between 2001 and 2006 (Lawson, 2007), General Budget Support (GBS), including African Development Fund (ADF) financed balance of payments support, consistently provided over 26% of discretionary recurrent and domestic capital expenditure annually (with the exception of 2003). Total grants and loans averaged around 15% of Gross Domestic Product (GDP) between 2001 and 2006, considerably exceeding domestic revenues (around 13%). Budget support averaged about 3.6% of GDP over this period. Figure 2.2 shows more details of the pattern of total GBS disbursement. The fall in GBS provision in 2006 reflected a weakening of controls over public expenditure ahead of elections.

Figure 2.2 GBS and GBS as a proportion of total ODA, 2002-8



Source: DAC statistics: http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIP

Sierra Leone received programmatic support from the end of the conflict. This was coordinated between the World Bank (IDA Economic Rehabilitation and Recovery Credit II of SDR 39.4 million, IMF Emergency Post-Conflict Assistance of USD 35 million approved in 2000, and DFID pledging General Budget Support of £30 million for the period 2001/02 – 2003/04. Programmatic support was also provided by UNDP and the European Commission.

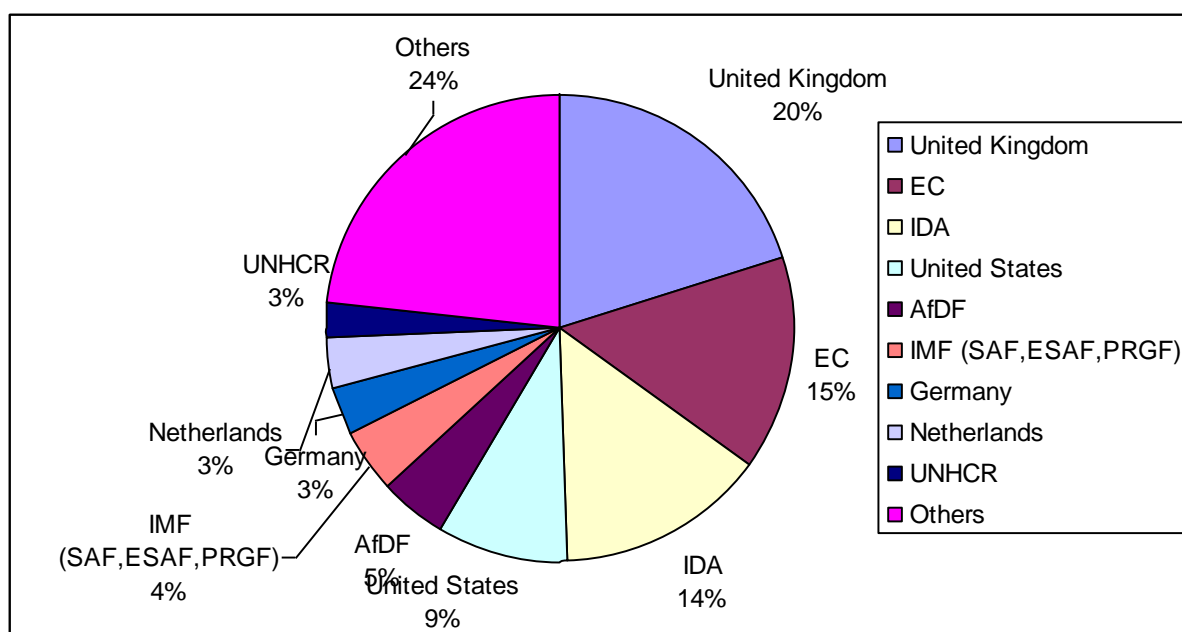
A multi-donor budget support (MDBS) framework was agreed in 2006 by the budget support donors (WB/IDA, EC, DFID and AfDB). While a signatory of the MDBS Memorandum of Understanding since 2006, the AfDB did not disburse budget support formally within this

framework until 2009. The MDBS donors adopted a common Progress Assessment Framework (PAF) to make decisions on disbursements in 2006, although there has not been complete harmonisation on the conditions governing disbursement. Having concluded the need for a more streamlined and harmonised PAF, the new 2009 PAF, adopted by Government in the 2009 Budget, saw a reduction of the overall number of indicators from 31 (of which one was joint) to fourteen (of which thirteen were joint), with a focus on public sector reform (PSR) and Public Financial Management (PFM). Donors and Government have agreed in principle to increasingly focus on outcomes in the basic services in 2010 once the delivery mechanisms at the centre are consolidated. A continuing concern from MDBS donors has been the lack of progress in improving domestic revenue, which has meant that dependence on donor support has not been reduced.

Bartholomew (2009) summarizes evidence on the effectiveness of budget support in Sierra Leone since 2001:

- Budget support has contributed to expanding the fiscal space available to GoSL which has given more flexibility to allocate resources to priorities.
- The way in which budget support has been implemented has constrained its effectiveness because of lack of predictability.
- Budget support has still been instrumental in supporting macroeconomic stability and expanding pro-poor expenditure.
- Budget support has been a valuable instrument for achieving the objective of a more effective, responsible and accountable government especially through encouraging public financial management reform.
- There has been little evidence of a significant improvement in service delivery.

Figure 2.3 Share of ODA to Sierra Leone by Development Partner: 1999-2008



As shown by Figure 2.3, the UK has been the largest aid donor to Sierra Leone accounting for a fifth of total aid from 1999 to 2008. The UK, together with IDA and the European

Community, accounts for 49% of total aid over the period. ADF has been Sierra Leone's fifth largest donor, accounting for 5% of aid.

2.2 Aid relationships

The dominant role of three donors (the UK, EC and IDA) has to some extent facilitated aid coordination, though this remains constrained as a result of weak government institutional capacity. Donor coordination has however been assessed as improving in part because of the willingness of most donors to align their activities and interventions Sierra Leone's PRSPs, and the close working relations that exist between the main donors. DFID and the EC on the one hand, and the World Bank and the AfDB on the other, have each developed common country strategies. The World Bank, African Development Bank (AfDB), and International Finance Corporation (IFC) Joint Assistance Strategy (JAS) covers the period 2009-2012 in support of the government's poverty reduction strategy (see below). The JAS is based on two pillars namely: (i) Promoting Inclusive Growth including infrastructure and agribusiness and (ii) Providing Basic Services for all with governance and private sector streamlined to each pillar as overarching themes' (AfDB/ADF 2009d). The preparation of the JAS started well in advance of the completion of the PRSP, and included several rounds of consultations and feedback. They were concluded in September 2009 and adopted in October of the same year.

The Government of Sierra Leone (GoSL) has developed an Aid Policy and a Development Assistance Coordination Office (DACO) which is now located in the Ministry of Finance and Economic Development (MoFED). The AfDB participates in coordination arrangements through a Consultative Group (CG) of donors, the Development Partners Committee (DEPAC) and the Multi-Donor Budget Support (MDBS) working group. However, GoSL capacity to exercise an effective leadership role in aid coordination remains limited.

2.3 Poverty reduction strategies and economic performance

Interim PRSP and the National Recovery Strategy

The Interim PRSP published in June 2001 was designed as a medium-term framework to be implemented in two phases. The first phase (2001-5) which was seen as transitional period following the end of conflict placed emphasis on (i) restoring security and good governance; (ii) re-launching the economy; and (iii) providing basic social services to the most vulnerable groups. The medium term focused on good governance, revival of the economy and social sector development. In the same year, the IMF approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) in support of the government's Poverty Reduction Programme for the period 2001-2004.

This was followed on the part of government by the launch of a National Recovery Strategy (NRS) in October 2002 which was underpinned by district assessments and local recovery plans. The NRS focused on: (i) the consolidation of state authority and peace-building; (ii) promotion of reconciliation and enforcement of human rights; (iii) facilitating resettlement and reintegration and rebuilding communities; (iv) facilitating access to previously inaccessible areas and expediting service delivery; and (v) stimulating economic recovery. By 2003, preparatory activities for a full PRSP were well underway. These activities culminated in the publication of the country's first PRSP (2005 – 2007) in February 2005. PRSP I identified the challenges of promoting food security and job creation through (i) achieving high and sustained broad-based economic growth particularly in rural areas where agricultural

development and increased food production are central; (ii) providing essential and economic services and infrastructure to the poor; and (iii) improving governance.

PRSP I was presented to Sierra Leone's development partners at a Consultative Group meeting in London in November 2005. The outcome of the meeting was judged a success by the GoSL as development partners pledged a total of US \$864m to support the implementation of programmes articulated in the Activity Matrix and Medium Term Expenditure Framework (MTEF) for period 2005 – 2007. This figure was exclusive of the expected/planned debt relief from the Highly Indebted Poor Countries (HIPC) and the multilateral debt relief initiatives (MDRI).

In 2006, the first annual progress report of PRSP I catalogued several bottlenecks to progress in the implementation of the PRSP for the period June 2005 to May 2006. Three sets of issues were identified as underlying the difficulties being experienced:

- Capacity for policy formulation and service delivery, as well as for higher levels of performance in the private sector and among civil society;
- Issues surrounding aid modalities, predictability and timeliness of aid inflows, and lack of harmonisation; and
- Measures required to enhancing private sector performance and promoting its expansion.

Despite these issues both donors and the GoSL were optimistic about the road to recovery and this optimism was boosted by the announcement in December 2006 that 90% of the country's \$1.6bn debt had been written off after negotiations with international creditors.

A second PRSP Progress Report was issued in August 2007 covering 2005 - 2007. Some of the key findings were that:

- Although the PRSP reiterated the need for a speedy and sustainable Public Service Reform, reform measures in the Civil Service were not being implemented effectively. Consequently, the Government was still faced with severe capacity weaknesses in the all Ministries Departments and Agencies (MDAs).
- PFM has improved significantly over the years as the MTEF budget process has been strengthened, but needs further improvement.
- Efforts to promote private sector development need to be strengthened through the provision of the requisite infrastructure.
- Access to safe drinking water and health facilities need to be increased within an integrated framework.
- In the area of education, the focus should be on qualitative as well as quantitative improvements.

An Agenda for Change

In June 2009 the Government of Sierra Leone launched the country's second PRSP under the name, An Agenda for Change. The Agenda for Change is the centrepiece of President Koroma's programme for government – it takes its name from the manifesto of the APC in the 2007 elections. It spells out the vision, direction, and development priorities of the government.

Care was taken in the preparation of the Agenda for Change to make it as inclusive as possible. The preparation included both central and local government as well as civil society groups, development partners, parliamentarians and national consultants, but ownership and leadership was provided by the GoSL through a Core Committee (CC) which comprised (i) the Office of the President; (ii) the Bank of Sierra Leone; (iii) the Ministry of Finance and Economic Development; (iv) Statistics Sierra Leone; and (v) the Development Aid Co-ordinating Secretariat which provided the technical secretariat. The CC developed a broad outline of the document and circulated it to all key stakeholders for consultation. It also held a series of meetings with umbrella organisations of civil society to discuss the outline and process.

The results of the consultation highlighted the following as critical to the development of Sierra Leone for the next five years:

- Transport: this was highlighted as a major constraint particularly on agricultural sector growth.
- Education: the need to improve teacher training and the conditions of service for teachers, improvement in school management, concerns over the low quality of education and the need to continue to pay special attention to girl child education.
- Electricity: the need for a fair and equitable distribution of electricity and the exploration of various district mini-hydro potential.
- Agriculture: agriculture was identified as the number one priority of the people in all the regions of the country and in particular issues such as access to credit, access to markets, post-harvest facilities equipment and seedlings were highlighted.
- Health: need to tackle the proliferation of unqualified doctors, illegal clinics and other health care providers, improve upon the conditions of service for health workers, and increase sensitisation on HIV/AIDS.

What is worthy of particular note is the fact that parliament was consulted even before the drafting of the final document had started and the findings were validated by traditional leaders and elders, religious leaders, women groups, local councils, CSOs, Civil Servants, Farmers' associations and youth groups. The final document was presented to Cabinet and Parliament for approval.

The priorities identified in the Agenda for Change are the following:

1. Improving the management and regulation of the energy sector, strengthening revenue collection and increasing generating capacity.
2. Raising quantity and value added productivity in agriculture through the development of agribusinesses.
3. Developing a national transportation network to enable and facilitate the movement both of goods and people and thereby facilitate an increase in investment and economic activity.
4. Ensuring sustainable human development through the provision of improved social services.

The following strategies are articulated in the document to enable and drive growth: the promotion of good governance, ensuring macroeconomic stability, promoting private sector development, financial sector reform and natural resource management.

There is ample evidence of widespread political support for the Agenda for Change not only because the process which produced the document was very inclusive, but also because its priorities were the basis of the political programme of the ruling party, and President Koroma has presented it as among the core objectives of his presidency. It has been used, for example, as the basis for performance contracts between the President and his ministers. The programme seeks to capture the most basic of people's aspirations, especially the emphasis on tangibles such as roads, water and sanitation, electricity supply, agriculture and health.

The broad support of donors for PRSP II meant that most of the benchmarks set by development partners are broadly in line with or aligned to the GoSL's An Agenda for Change document (GoSL, 2008). The UN Family in Sierra Leone in particular 'agree not only to align our country specific strategy to the national development strategy, the Agenda for change, but also to align ... programmes and projects to the organizational frameworks as they are determined by the government' (UN Resident Coordinator's Annual Report 2009).

Policy environment and implementation challenges

Successive reports on the progress of PRSP I have pointed to the slow pace of reform particularly in the civil service. This has impacted negatively on the effective formulation and implementation of government policies and is now constraining the development of Sierra Leone. President Koroma underscored this point when he stated: "It is our conviction that no economic transformation is possible without a transparent, accountable and effective public sector....our plan is to reform the public sector, support the private sector, modernize the financial sector, and take robust action on corruption."

The policy environment in Sierra Leone continues to be challenged by an ineffective public sector and reforms in this area have been very slow. There has been a plethora of public sector reform initiatives but these have been thwarted by civil servants themselves who viewed such reforms as inimical to their own interests. Patronage networks and identity politics are stumbling blocks to the development of a professional and non-partisan public service. A comprehensive Civil Service Reform Programme (2009-2012) has been formulated focusing on pay and incentives, staff rationalization/right sizing; systems and tools; performance management; public-private partnerships; and civil service training.

New bodies such as the National Policy Advisory Council created under President Kabbah and the Strategy and Policy Unit (SPU) set up by the current government are both geared towards improving policy formulation and implementation at the centre of government. However, there has been a proliferation of institutions with over-lapping responsibilities. In terms of providing oversight over policy implementation, while the Cabinet Secretariat has the statutory responsibility over policy implementation, it is now in competition with the SPU in the Office of the President. As the SPU has key personnel and departments that each provides oversight over a set of policy domains, the Cabinet Secretariat has become marginalised and, in effect, redundant. The Economic Policy Research Unit in the MoFED is, in practice, more influential in relation to decisions pertaining to the allocation of resources than either the Cabinet Secretariat or the SPU. As McLeod and Kebbay (2007) have argued the '... multiplicity of institutions ... poses a challenge for the coordination of policy making and ensuring coherence in policies and plans'.

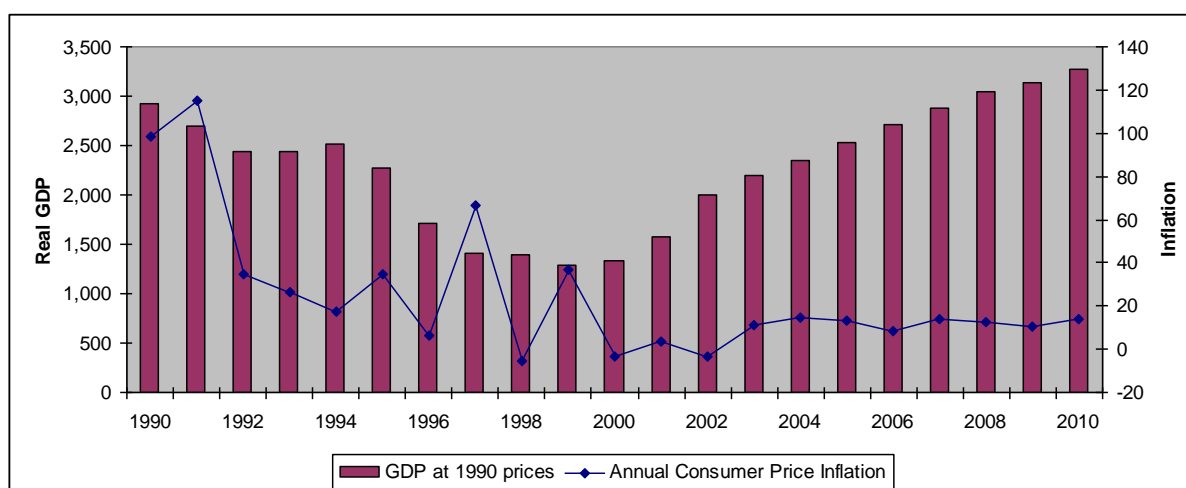
It is important to note however that some progress has been recorded in a few areas as evidenced for instance by the improvement in the World Bank's Country Policy and Institutional Assessment (CPIA) from 3.03 in 2005 to 3.45 in 2008. The comparatively sound macroeconomic management of the economy has meant that the country was able to score

well above the average of International Development Association (IDA) borrowers in the CPIA economic management cluster ratings. This may be attributable to the heavy concentration of comparatively well paid Technical Assistants in the MoFED. Other clusters in the 2008 CPIA study however scored well below the average IDA borrowers score. The Public Sector Management and Institutional Policies cluster in particular scored a mere 2.7 on a scale of 1 – 6 compared to the 3.1 IDA average. In 2009 Sierra Leone could only manage an IDA Country Performance Rating (CPR) of 2.97 (UNDP/GoSL 2009).

Economic Performance and Poverty Reduction

Figure 2.4 shows that Sierra Leone suffered a contraction of more than 50% in its real GDP over the period of civil war. There has been sustained economic recovery since 2000, and while inflation has persisted, it has been maintained below 20% per annum.

Figure 2.4 Sierra Leone: Real GDP and Consumer Price Inflation, 1990-2009



Source: IMF (2010)

While the data remain seriously incomplete (and available sources are often inconsistent), it appears (as in Table 2.1) that there has been little recovery in key social indicators since the end of conflict except probably in terms of a reduced poverty headcount and improved water access. Key health indicators in particular have shown only a slight improvement.

Table 2.1 Sierra Leone: Millennium Development Goals

Millennium Development Goal	1990	1995	2000	2005	2008
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	63	-	-	53	-
Malnutrition prevalence, weight for age (% of children under 5)	-	-	24.7	28.3	-
Population undernourished (%) (1991, 1996 and 2001)	43	43	51	46	-
Employment to population ratio, 15+ total (%)	39	41	44	41	42
Primary school net enrolment rate (%)	-	-	-	-	-
Under-five mortality rate (per 1,000 live births)*	290	283	274	265	262
Infant mortality rate (per 1,000 live births)*	169	166	161	157	155
Maternal mortality rate (per 100,000 live births)	-	-	-	2,100	-

Millennium Development Goal	1990	1995	2000	2005	2008
Births attended by skilled health personnel (%)	-	-	42	43	42
HIV prevalence, 15-49 years	0.2	1	1.2	1.6	1.7
Access to potable water (% of rural population)	-	49	44	33	26
Access to potable water (% of urban population)	-	75	75	82	85

Source: IMF (2010)

Public Financial Management Reform

Sierra Leone's progress in strengthening Public Finance Management (PFM) since the end of the civil war is summarised in the Project Appraisal Document (World Bank, 2009 pp 1-2) for World Bank support to the GoSL Integrated Public Financial Management Reform Project (IPFMRP). Whilst the GoSL is considered to have made good progress on PFM framework and systems and has implemented the majority of recommendations made in the Country Financial Accountability Assessment (CFAA) of 2002. Its scores from Public Expenditure and Financial Accountability (PEFA) assessment for Sierra Leone are average for the region. Since 2007 there have been further improvements in the timeliness of financial statements and audit reports. However in 2007, an election year, budget credibility was low, the IMF red cover report also highlights that some major weaknesses remain. These include a lack of budget credibility and predictability, fiscal management challenges, weaknesses in expenditure control (including payroll). The report also notes and low levels of transparency; and that much needs to be done to move the system from one that is functioning at a rudimentary level to one that is able to direct resources to priority areas and support high quality expenditure outcomes. The GoSL has however responded to these challenges by preparing a comprehensive programme of PFM reforms for the period for 2009-2012. A PFM Oversight Committee oversees this programme, chaired by the Financial Secretary of the MoFED.

A further PEFA assessment was carried out during 2010. While results are not yet available, it was expected to show continued progress in the strengthening of PFM systems and performance. A review during 2010 (OPM, 2010) identified the following major issues for further reform through the implementation of the Integrated Public Financial Management Reform Programme (IPFMRP):

- An overly complicated and detailed budget preparation process.
- Elaborate and cumbersome procedures covering the making of commitments and a lack of information from MDAs on expected payment needs to guide cash flow forecasts.
- Inadequate legal, policy and institutional framework for debt management.
- Errors and inconsistencies in the legal and regulatory framework for PFM.
- Weaknesses in the procurement system including the lack of a separate cadre for procurement officers.
- A large number of government agencies and projects that are off budget and outside the Integrated Financial Management Information System (IFMIS).
- Incomplete implementation of proposals to strengthen internal audit.
- Lack of an overall training strategy for building PFM capacity in MoFED.

CSOs have also raised concerns about the budget process (BAN, 2010) focusing in particular on the lack of effective engagement by many MDAs in the budget process and a lack of a clear strategic planning by MDAs linked to budget submissions.

3 AfDB Operations in Sierra Leone

3.1 AfDB country strategies

The AfDB initiated operations in Sierra Leone in 1969. The country office (Sierra Leone Field Office – SLFO) was established in December 2006. As at 1st October 2009, 46 operations had been approved, with a total commitment net of cancellations of UA 288.4 million. The operations include 27 projects, 3 institutional support projects, 6 PBLs, 3 lines of credit and 7 studies. The breakdown per sector is social sector (health and education: 29.9%), multi-sector (27.4%), public utilities (23.8%) and agriculture (18.9%).

Covering the period of the review, there have been three Country Strategy Papers (CSP) providing guidance to the AfDB programme (1999-2001, 2002-2004 and 2005-2009) and one Joint Assistance Strategy with the World Bank and IFC (2009-2012).

1999-2001 Country Strategy Paper

The 1999-2001 CSP was written as Sierra Leone was just coming out of conflict. Until the first half of 1999, the country experienced civil war almost continuously, with intermittent intensification of the fighting since 1991. The peace talks led to the signing of the Lome Peace Agreement in July 1999, ratified by Parliament. The agreement was reconciliatory and envisaged a government of national unity and forgiveness of all rebel atrocities. The strategic focus of the CSP emphasised the need to assist the Government in its effort to consolidate peace, rebuild the war-ravaged economy, fight the pervasive poverty and promote the conduct of good governance. The CSP made a provision of UA 18.79 million approved in November 1999. UA 11.41 million for projects, UA 1.67 million of ADF/Technical Assistance Fund (TAF) grants for institutional support projects and studies and UA 5.71 million for PBL. The sectoral distribution was 40% for agriculture, 30% for social sector, 18% for transport and 12% for multi-sector. The resources were utilised for the Economic Rehabilitation and Recovery Loan (UA 10m), the Artisanal Fisheries project (UA 10million) and the TAF grant of UA 0.96 million for the Institutional Support for Capacity Building project. Total resources utilised were therefore UA20.96 million or 116% of indicated allocation.

2002-2004 Country Strategy Paper

The 2002-2004 CSP was approved in May 2003. It was subsequently updated in June 2004. The framework for preparing the 2002-2004 CSP was the Government's Interim Poverty Reduction Strategy Paper (I-PRSP). The CSP assessed Sierra Leone's post-conflict development challenges and the prospects for sustained growth and poverty reduction in the context of the then rapidly transformed security situation. Based on the assessment, the CSP proposed a medium-term strategy for Bank Group's intervention, which had, as its main thrust, targeted assistance to revive the war-ravaged economy, fight the desperate poverty situation, create jobs and rebuild the destroyed community and physical infrastructure. The baseline ADF-IX allocation for Sierra Leone was UA34.56 million. On account of Sierra Leone's low per capita income of US\$130, 27 percent of the total base case allocation or UA 9.33 million was to be provided in the form of grants. In addition, Sierra Leone benefited from a policy-based operation, which had resources equivalent to 50 percent of the base case allocation or UA 17.28 million.

The 2002-2004 CSP was judged to be implemented in a very satisfactory manner so that by February 2005 or nearly two years after its approval, the Bank had appraised and approved

the following mutually supportive projects with a commitment capacity of UA 62.46 million: i) Second Economic Rehabilitation and Recovery Loan (ERRL-II), UA17.28 million; ii) Third Education Rehabilitation Project, UA 16.0 million; iii) Social Action Support Project, UA 12 million; iv) Institutional Support to Strengthen Public Expenditure Management and the Energy Sector, UA 2.79 million; the Lungi-Freetown road link study, UA 1.5 million; and the Water Supply and Sanitation study; UA 1.2 million.

2005 – 2009 Results Based Country Strategy Paper (RBCSP)

The 2005-2009 CSP covered the entire ADF-X and part of ADF-XI programming cycle. The thrust of the Bank Group's medium-term strategy, 2005-2009, was to assist Sierra Leone's transition from a nation focused primarily on post-conflict emergency needs to a nation poised for long-run growth. The framework for developing the CSP policies was Sierra Leone's full PRSP that was officially launched by the Government in April 2005. Originally, the 2005-2009 RBCSP was based on two pillars, namely: (i) Promoting Economic Growth by improving Governance, and (ii) Human Resources Development.

However, at the Mid-Term Review (MTR) in 2008, with the new government changing priorities as well as the country's eligibility for the Fragile States Facility (FSF), the Bank Group reformulated the first pillar to: (i) Pro-Poor Growth with emphasis on infrastructure and Governance. The total allocation for the implementation of the 2005-2009 CSP included the resources that were allocated to Sierra Leone under ADF X (2005- 2007) and part of the resources of ADF XI (2008-2010). Under this framework, Sierra Leone was ranked as a well-performing country, and would be a grant-only country during the ADF-X lending cycle. The evaluation of the performance of Sierra Leone translated in a base allocation of UA 29.68 million. Three operations would be financed under ADF-X: i) the Economic Rehabilitation and Recovery Programme (ERRP); ii) the Health Sector Rehabilitation Project; and iii) the infrastructure rehabilitation project. Operations to be funded under ADF-XI were determined during the mid-term review of the CSP. A CSP implementation report would be prepared at the end of the implementation cycle in 2009. The CSP updates will be complemented by the annual Country Portfolio Performance Review (CPPR) exercise, which would be undertaken in 2005, 2007 and 2009. The wider and more detailed monitoring indicators of the full PRSP would be used in monitoring the implementation performance of the 2005-2009 CSP. The Bank was to coordinate its activities and collaborate with the PRS Secretariat.

The introduction of the Fragile State Facility resulted in a significant increase in the total fund allocation to Sierra Leone for the period 2008 to 2010. The Bank's project financing has been the traditional lending instrument and is currently the most important, constituting 89.6% of the portfolio. The ADF-XI allocation to Sierra Leone for the period 2008-2010 was UA 72.47 million. UA 29.71 million of this was from normal ADF sources while UA42.76 million was under the Bank's Fragile States Facility. Operations to be financed during 2008-2010 period included the Bumbuna Hydroelectric Project earmarked for a supplemental loan (2008, UA 10.3 million), the Lungi-Port Loko Road (2009, UA 25.26 million), Budget Support (EGRP I 2009, UA 10 million), and the Water Supply and Sanitation Project (2010, UA 26.91 million.) The early disbursement of budget support funds was seen as critical to sustaining the gains made by the government in the implementation of its poverty reduction agenda.

2009 – 2012 Joint Assistance Strategy

The 2009-2012 Joint Assistance Strategy (JAS) provides a framework for Bank Group and World Bank Group support to Sierra Leone during the three-year period of July 2009 to June 2012. Under the JAS, the World Bank will focus on energy, agriculture, and service delivery while the AfDB will focus on infrastructure and governance. It also requests renewal of Sierra

Leone's access to financing under the Fragile States Facility (FSF). Bank Group assistance to Sierra Leone under the JAS will be provided from part of ADF-11 (2008-2010), and all of ADF-12 (2011-2013), and the FSF resources. The current cycle of ADF 11 and Fragile State Facility (Supplemental Support) has allocated a new commitment of UA 71.79 million for the development and implementation of new pipeline projects in Sierra Leone. In addition, the Fragile State Facility Targeted Support (Pillar III) has made UA 2.0 million available to Sierra Leone for national capacity building activities. The indicative lending programme was made up of UA 25.23 million for the Towns Water Supply and Sanitation, €25million for the Addax Bio-Energy Project, UA 25m for the Rural Water Supply and Sanitation Project, UA 25 million for the Mototoka to Sefadu Road and UA 20 million for Budget Support (EGRP II).

3.2 Performance of the portfolio

The Bank's approvals over the evaluation period (see Annex D) show in terms of the total commitment of resources, 45.6% of this has been accounted for by debt reduction, 24.1% by grants, and 30.3% by loans. Of total grants and loans, 35.2% were for PBOs,² and 64.8% for project operations.

The Bank's portfolio in Sierra Leone has encountered significant difficulties. Some of the problems identified in the portfolio as a whole include the following (from the 2009 Portfolio Review):

- Quality at entry and poor performance: Design flaws were identified in some projects in terms of ill-defined project goals and outputs, and poorly costed activities. In some cases, there were too many unrelated components of AfDB funded projects and this exacerbated capacity challenges for implementing agencies. The Sierra Leone portfolio has a higher incidence of problematic and ageing projects and higher risk rates compared to the Bank-wide average. The average time-lag between project approval and effectiveness was 19.6 months compared to a Bank-wide average of 14.4 months.
- Weak Government capacity: During project negotiations, the Government was judged to have tended to sign up to conditions it could not meet. Lessons identified regarding weak capacity of state institutions indicated a need for continued dialogue with Government and other development partners to support capacity building. The Bank's work through the Fragile State Facility was intended to address some of the systemic challenges in Sierra Leone, with a supplementary targeted support of US\$ 2m to address capacity issues. Also, the FSF has introduced waivers that has made it possible to address the government's inability to meet previous counterpart funding requirements by approving 100% financing for new projects.
- Weak Bank institutional continuity: Although the sector composition of World Bank portfolio is similar to that of ADB, World Bank projects are much larger, and are disbursed and implemented faster. The World Bank country office in Sierra Leone has provided closer and sustained support to their projects for a much longer period. Moreover, World Bank supervision missions are characterised by a full complement of skill mix and provide much more support to project implementation than ADB missions. The Bank's high turnover of task Managers does not help and delays working arrangement with Project Implementation Units (PIUs). The establishment of the field office and subsequent follow-up on project activities has helped improve an unsatisfactory portfolio.

² This is reduced to 31.3% taking account of the reduction of resources made available under ERRP III compared to what was originally approved.

As is shown by the PCR ratings in Table 4.2 however, PBOs have performed satisfactorily and considerably better than the rest of the Bank's portfolio in Sierra Leone.

4 Features of African Development Bank PBOs

4.1 Overview of Sierra Leone PBOs

During the period under review (1999-2009), there have been four new PBOs in Sierra Leone, one of which was nearing completion, with a fifth operation (EGRP II) under design in late 2010. The total disbursement has been 47.98 UA million since 1999.

At the start of the evaluation period an earlier PBL was still under implementation. The Sierra Leone Structural Adjustment Loan (SAL I) had been approved in October 1992 and became effective in June 1993. The first tranche of UA 10.609 million was released in 1993 and the bulk of the remainder of disbursements took place by 1996, with delays resulting from a failure to provide justification of the utilisation of the loan proceeds to fund imports. The operation failed to halt the country's economic decline as civil war intensified. The final very small disbursement was not made until 2000. The PCR stated that the operation did however allow the import of essential imports without which the situation may have been even worse. The operation was rated unsatisfactory. Annex D provides summary tables which compare the PBO's in Sierra Leone over the evaluation period.

4.2 Economic Reconstruction and Rehabilitation Programme I (2001-2002)

The economic reform programme for 2001 supported by ERRL³ I aimed at (i) improving and consolidating the gains that had been achieved in the macro-economic environment; (ii) restructuring Government's spending in favour of the social sectors of health and education, and improving the effectiveness of government's expenditure; (iii) undertaking budget and expenditure management reforms; (iv) initiating changes in the bloated civil service; (v) reforming public enterprises; and (v) instituting measures to improve economic and political governance. Out of the total UA10.00 million amount of the Loan, UA 8.00 million was credited into the Special Account as follows: UA 5.00 million on 28 December, 2001 first tranche; and UA3.00 million on 03 September, 2002 as the second tranche. The remaining UA 2.00 million had been, on 06 March, 2002, credited into a Bank of Sierra Leone designated account held with the Federal Reserve Bank. This amount, in line with the ERRL I provisions, was a Reimbursement (Retroactive Financing) in respect of goods financed from own funds up to six months prior to the effectiveness of the Loan.

Table 4.1 ERRP I – ADF and other funding sources

Financing sources	US\$ m	% of total
ADF	14	12%
World Bank (IDA)	30	26%
IMF	35	30%
DFID	26	23%
EC	10	9%
Total	115	100%

According to the PCR:

³ ERRP I and II (part of a joint donor framework) were supported by ADF loans (ERRL I, and ERRL II). Some of the documentation refers to the operations as ERRP I and II, and some to the loan instruments.

“The objectives of ERRL I and the expected outputs were satisfactorily achieved. There has been consensus, among the donors that supported the reforms, that good progress was registered in all areas, particularly when assessed in the context of the constraints operating against a country in conflict. The objectives of the government to improve governance, revive the economy and improve public resource management were substantially met, and ERRL I made a contribution to assisting the government meet these objectives. In the social sector, the objectives set for improving access to basic social services were met, as indicated by the government action in the 2002 Budget to restore allocations for education, health and water services in three provinces where order and security had been re-established. ERRL I resources, available to the government budget, contributed to enabling the government achieve these objectives.”

4.3 Economic Reconstruction and Rehabilitation Programme II (2003-2005)

ERRP II was designed to contribute directly to the attainment of the country’s medium-term strategy, the Interim Poverty Reduction Strategy Paper (2001-2003) (I-PRSP), which in turn provided the basis for the NRS covering the period 2001 to 2004. The ADF program was also designed within the overall objectives of the country’s arrangement with the IMF under the Poverty Reduction Growth Facility, approved in September 2001 and IDA’s Third Economic Rehabilitation and Recovery Credit (ERRC III), approved in April 2003. The ADF released the first tranche of UA 10 million on 27 April 2004, about 60 days slippage from the date anticipated at appraisal (February 2004), which is considered overall to be satisfactory. The second tranche of UA 7.28 million was to be released on continued satisfactory management of the economy and on the Government’s fulfilment of four particular conditions relating to the following: (i) development of a comprehensive public procurement legislation; (ii) strengthening the Financial Management Accounting System; (iii) conducting a comprehensive census of the civil service; and (iv) preparing a clear and transparent investment code. The second tranche was released on 12 July 2005, following justification of the use of the resources of the first tranche, the other second tranche conditions having been met.

Table 4.2 ERRP II – ADF and other funding sources

Financing sources	US\$ m	% of total
ADF	23	8%
World Bank (IDA)	55	20%
IMF	75	27%
DFID	64	23%
EC	57	21%
Total	273	100%

The PCR assessed the results of the operation as follows:

“Towards attaining improved public financial management, the Government carried out two diagnostic studies on the Financial Management and Accountability System (FMAS) in 2003 with the objective of identifying weaknesses in the public accounting systems. On the basis of the studies, the Government decided to replace FMAS with a new Integrated Financial Management Information System (IFMIS). In addition to enacting the Government Budgeting and Accountability Bill in February, 2005, further

specific policy and institutional reform measures were also undertaken to improve the soundness of fiscal budgeting process; these included adoption of a Medium Term Expenditure Framework (MTEF); amendment of the 1992 Budget Act and the 1996 Decree to obligate the Government to present the Government’s financial reports and accounts before the Parliament by a reasonable deadline. Reform of the public procurement system was also attained. However, Government made no real progress with civil service reform, as it failed to implement specific measures to restructure and improve the performance of the civil service in order to create a leaner and more efficient institution.”

4.4 Economic Reconstruction and Rehabilitation Program III (2005-2006)

The objective of the ERRP III was to support Sierra Leone’s PRSP by making available resources (an ADF grant, rather than the ADF loans available for the earlier operations) for addressing the external financing gap and for supporting reforms that specifically aimed at improving economic governance. It was conceived in coordination with the Multi-Donor Budget Support Group. However, the common Progress Assessment Framework (PAF) had not yet been developed and the specific ERRP III reform areas, conditions, and benchmarks were therefore not part of the MDBS structure. Compared to appraisal, the amount of grant support was halved from 20 UA million, to 10.7 UA million, thus considerably less than previously foreseen and smaller than previous operations. The cut was made to conform to ADF-X’s resource allocation for the country and the requirement that the share of policy based support for each country should not exceed 50 percent of its respective allocation. In addition, grant duration was changed from 18 to 24 months. The accompanying institutional support project was approved in October 2004 for the amount of UA 2.79 million but was effective on July 20, 2006, because of delays in meeting one condition. Consequently, the project was not able to provide capacity building support during the main part of the ERRP III grant, as originally anticipated.

Table 4.3 ERRP III – ADF and other funding sources

Financing sources	US\$ m	% of total
ADF	30	10%
World Bank (IDA)	45	16%
DFID	85	29%
EC	65	23%
Others, including IMF	63	22%
Total	287	100%

The performance record ERRP III was judged as mixed in the PCR:

“The necessary conditions for the ERRP III effectiveness were achieved. The progress on reforms in the election year and subsequent change in government was understandably more limited. In the area of economic governance, progress has been significant, with monitoring and evaluation systems in place and the implementation of decentralisation. Some social indicators (health, education) have also begun to improve. Some concerns have emerged, however, especially concerning macroeconomic management and priority poverty reducing spending. The implementation of new regulations has also been uneven. Overall, a problem of severe capacity constraints and capacity building appears to have been reducing the

pace of reform implementation. In addition, volatile and delayed donor disbursement in 2006 and 2007 exacerbated the pressure on economic management.”

4.5 Economic Governance Reform Programme (2009-2010)

The goal of the Economic Governance Reform Programme (EGRP) is to improve economic governance through greater efficiency, transparency, and accountability in the use of public resources as laid out in the country’s Poverty Reduction Strategy (PRS) II and Integrated Public Financial Management Reform Programme (IPFMRP). It is a direct budget support grant. The EGRP I specifically supports the three pillars of the government’s IPFMRP, which are core public financial management (PFM) reforms, revenue administration, and enhanced external audits. The 2009 budget supports the priorities identified in the PRS II as well as implementation of the key reform measures. It includes US\$142 million in grants (including budget support of US\$8 million from the ADF, US\$25 million from DFID, US\$17 million from the EC, and US\$10 million from the World Bank).⁴ EGRP I provides UA 10 million to the government for the two fiscal years, UA 5.5 million in 2009 and UA 4.5m in 2010, allocated from the Fragile States Facility. Each tranche disbursement includes an earmarked UA 1 million for use as counterpart funds to the multi-donor project supporting the core components of the IPFMRP.⁵ Additional funds from FSF Window III are programmed for capacity building activities.

Table 4.4 EGRP I – ADF and other funding sources (2009 only)⁶

Financing sources	US\$ m	% of total
AfDB	8	13%
DFID	25	42%
EU	17	28%
WB	10	17%
Total	60	100%

4.6 Lessons identified from Project Completion Reports

Box 4.1 lists the lessons identified from the Bank’s Project Completion Reports (PCRs) for ERRP I, II and III. It should be noted that the PCR for ERRP I was not completed until November 2005 (along with the PCR for SAL I which had begun implementation 13 years before), and the PCR for ERRP II was presented to the Board in January 2006, which was after the second tranche release for ERRP III. It was therefore impossible for any lessons identified from these operations to influence the design of the Bank’s subsequent engagement.

⁴ For 2009 alone. No IMF support was envisaged as required.

⁵ ADF-XI resources were not available to be pooled to support IPFMRP with other donors (GoSL’s preferred funding modality) because of the restriction of ADF rules of origin.

⁶ These figures are only GBS for FY 2009, i.e., for AfDB, only UA5.5m out of the total UA10m for the EGRP first tranche.

Box 4.1 Lessons identified from ERRP I, II and III

ERRP I

- (i) Significance of country ownership and commitment of the program, which was anchored in the country's development strategy-the Interim PRSP;
- (ii) Importance of focusing on a few but crucial development priority areas of reform, and defining concisely, performance or output indicators for monitoring and assessing implementation performance while allowing for a measure of flexibility to be exercised;
- (iii) Value of working in concert with participating development partners or co-financiers, to ensure successful program execution and monitoring;
- (iv) Need to address capacity constraints in program implementation in post-conflict countries.

ERRP II

- (i) Countries emerging from conflict situations may not have requisite capacities to undertake recommended reforms within given time horizons, which may be unrealistic or overly ambitious timeframes within which to implement reforms. Based on this experience, the emerging lesson is that civil service reforms and privatization are of secondary importance in post-conflict countries, where the utmost priority is placed on consolidating peace, resettling people, revitalizing the economy, rehabilitating infrastructure and restoring basic services;
- (ii) Need to set a few critical conditions precedent to tranche releases in order to ensure effective program implementation.

ERRP III

- (i) Governance reform is central to Sierra Leone, and the ERRP III format has proven some success in supporting such reforms. Governance reforms entail high risks with respect to implementation and commitment, which needs to be factored into design;
- (ii) Disbursement delays from the ADF (and by consequence volatility in external financing) resulted partly from insufficient communication or misunderstandings from the part of the government and sometimes also within the ADF, either in terms of what the grant condition stipulated, or in terms of what kind of evidence was needed. Thus, reforms were sometimes in place but evidence was not provided to that effect;
- (iii) Specific ERRP III reform indicators, apart from tranche conditions, were not monitored by the ADF. Conversely, the PAF through which the MDBSG monitors reforms in Sierra Leone and to which ADF adheres in principle has been consolidated and prioritised but still contains 31 indicators which puts an undue burden on the government to follow up and act upon. Currently, ADF is not taking the lead on any of the indicators in the PAF;
- (iv) Strong monitoring and evaluation is an integral part of programme implementation and success. Although the ERRP II suffered from weaknesses in reporting, problems and weaknesses both on the GoSL and ADF side have persisted;
- (v) Capacity constraints, in particular the difficulty to recruit sufficiently qualified staff with public sector remuneration packages has affected programme implementation.

5 Key Findings

The findings in this section have been categorised into three sections: performance and impact, strategic issues and design.

Performance and Impact

Budget support and PBOs have played an important role in sustaining Sierra Leone's recovery from conflict to which the Bank's support has made a contribution

The provision of Balance of Payments support by the Bank through the Economic Reconstruction and Rehabilitation Programs (ERRP) I, II, and III between 2001 and 2006 provided (along with support from other donors) an important contribution to Sierra Leone's post-conflict economic stabilisation and recovery, and some contribution to strengthening PFM systems, although the capacity building impact was reduced compared to what was originally envisaged because of the delay in providing complementary support under ERRP III, and predictability of support was adversely affected by the scaling back of support under ERRP III to fit with funding constraints under ADF-X.

Multi Donor Budget Support (following on from earlier Balance of Payments support) has played an important role in Sierra Leone's post-conflict stabilisation and recovery, and in the strengthening of public finance management systems, although there are significant donor concerns about the limited progress in increasing domestic revenue effort, and significant weaknesses in government capacity for effective service delivery remain. Over time, the conditions for MDBS have been simplified, and there has been a move away from setting legislative benchmarks as it has been recognised that these are not directly under government control. Despite this, the donors providing performance-linked variable tranches (DFID and the EC) have not considered performance sufficiently good for full payment of variable tranches to be made.

Bank support that has been effectively harmonised with other development partners has contributed towards significant progress in strengthening PFM systems

Significant progress has been made in strengthening Sierra Leone's public finance management system, with the principal risks now relating to weaknesses in budget execution, including the absence of systems to report on results achieved from public expenditure.

Although since 2008 the government of Sierra Leone appears to have a stronger strategic focus and direction (through the strong promotion of the Agenda for Change by the President as the centrepiece of government's strategy) and there is high level political commitment to achieving development results, there remain major concerns about corruption and fiscally unfavourable agreements with private companies, highlighted by high profile cases in relation to mining agreements, electricity generation, and military procurement. However, the publicity given to these cases is also evidence of the greater level of scrutiny and transparency that is developing in Sierra Leone (including for example initiatives to require asset declarations from public officials).

The relative simplicity of MDBS arrangements in Sierra Leone has facilitated Bank involvement, although GoSL involvement beyond MOFED has been limited contributing to failure to meet some benchmarks

The MDBS arrangement in Sierra Leone has been a relatively light and less structured process compared to MDBS arrangements in many other African countries, since it has involved only four donors (plus the IMF as an observer), and the process for PAF agreement and monitoring has been relatively informal and largely conducted through meetings between the MDBS donors and officials of MOFED. This has had the advantage of administrative simplicity (which has made it easier for donors with a relatively light field presence to be effectively engaged) and facilitation of effective and flexible dialogue with MOFED. The disadvantage is that involvement of the GOSL beyond MOFED has been variable, and coordination of response to ensure delivery of the PAF as a whole within GOSL has been weak, which has affected the capacity of GOSL to deliver on some benchmarks (such as the completion of the electricity tariff study which was a condition under EGRP I). This has in turn contributed to delays and unpredictability in the receipt of budget support funds, which has constrained government expenditure.

The relationship between conditions and performance indicators for PBOs is not fully clear

EGRP I included 21 performance indicators and indicative targets. The level of achievement of these targets is being assessed as part of the preparation of the PCR for EGRP I. The relationship between the prospects for achievement of these performance indicators and the specific conditions precedent to disbursement of the two tranches is not fully clear, and resulted from a process of negotiation during the preparation of the operation between GOSL and the Bank.

There does not appear to be a relationship between the results that are considered as potentially attributable to the AfDB's operations, and the level of funding provided

Assessments of the results of the Bank's PBOs (for instance in PCRs) have focused on progress against benchmarks and defined objectives in terms of policy and institutional reform. There is however in most cases no evident link established between the Bank's activities (and specifically the amount of finance provided) and the outcomes identified. In addition, the level of financial resources provided by the Bank appears to have been determined principally by considerations of availability of funds and the Bank's overall portfolio, rather than by an overall assessment of GoSL financing needs and the appropriate division of this between MDBS donors.

The Bank's PBOs have performed better than has the Bank's country portfolio as a whole

The Country Portfolio Review in 2009 identified significant problems with the Bank's operations in Sierra Leone including delays in effectiveness and implementation that were longer than the average Bank operation. Although there have been some delays in implementation with PBOs, these have been substantially fewer than for the rest of the country portfolio, and completed operations have all been rated as satisfactory.

Strategic Issues

The ability of the Bank to participate fully in MDBS arrangements and to continue with the provision of budget support has depended on the Fragile State Facility (FSF)

The establishment of the Fragile State Facility (FSF) enabled the Bank to participate fully in Multi-Donor Budget Support (MDBS) arrangements through the Economic Governance Reform Program (EGRP) grant, in a form that was closely tied to institutional reform and capacity building support initiatives, while the establishment of the SLFO increased the Bank's capacity for engagement and effective monitoring - although management responsibility for the operation remained in Tunis. The FSF increased by about 50% the Bank group resources available to Sierra Leone, compared to the country's ADF allocation.

The use of the FSF has also meant that the Bank has been able to accept a higher level of fiduciary risk than would otherwise have been possible through merely the use of direct budget support in a country at Sierra Leone's low level of capacity (as measured by the CPIA or PEFA criteria) using ADF resources. The use of the FSF also implies that support could be built around a clear graduation strategy to qualify Sierra Leone for budget support under ADF once sufficient institutional reform and capacity building has occurred.

AfDB involvement in budget support has been a significant part of a joint donor effort – it is not evident that the Bank has had any particular comparative advantage or special role in this process beyond the funding that has been provided

The Bank's PBOs have been part of a strongly harmonised joint donor engagement within generally common management arrangements and conditions. The Bank has been to a significant degree reliant on the analysis carried out by its partners. While the Bank has been an important contributor to this joint effort in terms of the financial resources it has provided, the Bank has not had a major independent or special role in terms for instance of its contributions to policy dialogue.

The establishment of the Sierra Leone Field Office has increased the ability of the Bank to participate in MDBS arrangements and has improved monitoring but power remains at HQ level

The Bank's lack of field presence (before the establishment of the SLFO in December 2006) significantly limited the extent to which ERRP I to III could be monitored by the Bank, and to which the Bank was able to use its support to participate more effectively in policy dialogue.

The SLFO is regarded by other development partners as effective and relatively well-staffed and its existence has greatly strengthened the Bank's capacity for engagement in national policy processes and for project supervision. The relative simplicity of the donor architecture in Sierra Leone compared to many other RMCs is one reason why the SLFO has been able to engage relatively effectively. However, the continued centralisation of management (of the country portfolio as a whole and of projects) in Tunis appears also to militate against an effective multisectoral approach (and the taking of cross-sectoral perspectives) in the Bank's programme, as well as meaning that local level insights and skills are probably not used as effectively as they could be. This potentially affects the whole Bank portfolio but is especially significant for budget support given the cross-sectoral complementary potential of this instrument. The SLFO feels it is difficult to attract sufficient interest and attention for the country from HQ and that HQ staff are in general unwilling to visit. The SLFO has also been keen to rationalise and clean up the Bank's portfolio to improve overall quality, but has met some resistance to this from sector departments. Other Bank staff have however argued that

in practice Field Offices are, because of the strength of their local contacts, in a potentially strong position to take initiatives and exert leadership if they are prepared to exercise this role.

Design

Delays in meeting conditions have led to disbursement delays

The Bank has had to seek a Board waiver of the second tranche condition for EGRP I relating to the failure of the benchmark for the carrying out of a study to establish a tariff schedule for the National Power Authority (NPA) to be met. This has led to a delay in disbursement. The failure to meet the condition appears to reflect a lack of effective coordination on the GOSL side, an over-confidence from GOSL that it would be possible to fulfil the condition, a failure of GOSL to communicate early enough that they would require additional technical support to meet the benchmark, and a failure of monitoring by donors to identify the likely problem in this area early enough. There has also been a delay due to the time taken to fulfil conditions on the recruitment of internal audit staff, though this condition has now been judged to have been met. These delays again appear to reflect overly ambitious targets from GOSL in the face of a lack of capacity, rather than political obstacles to implementation.

The Bank's approach to budget support in Sierra Leone is not multi-sectoral and there have been no attempts to seek synergies between the Bank's sectoral project involvement and the provision of budget support

Direct Budget Support has the potential to be complementary to other forms of support, and is designed to be so for some other donors (for instance this is an explicit objective for DFID). However, the Bank's involvement in providing budget support in Sierra Leone does not appear to have had this as an explicit objective, except to the extent that improvements in the PFM system could be expected to generate benefits for the Bank's portfolio as a whole.

The Bank's administrative structure (with a high level of control over resources and management at the level of sector departments, rather than effective ultimate control being at the level of the management of the country programme) appears to militate against the Bank's ability to take an effective multi-sectoral approach in either the design or the implementation of operations, with very little engagement outside OSGE and the SLFO in budget support operations. Budget support for the Bank is a "governance sector" intervention, while for all other MDBS donors budget support has more explicitly multi-sectoral objectives.

Delays in producing PCRs during the first half of the evaluation period limited the ability of the Bank to identify and learn lessons in a timely way

PCRs for SAL I, ERRP I and ERRP II were not produced until near the end of implementation of the subsequent PBO (ERRP III). This prevented them playing any useful role in learning from experience. The PCR for ERRP III noted the recurrence of problems that had affected ERRP II in terms of weaknesses in the Bank's monitoring. This reflects a general Bank-wide breakdown in the process of producing PCRs which as subsequently been addressed.

6 Issues

6.1 Issues for the evaluation

The case study of Sierra Leone highlights several issues and questions of wider significance for the evaluation:

- Sierra Leone is the only country case study for this evaluation of a country benefiting from the FSF. This case study has judged that the FSF has played an important role in enabling the Bank (through the ADF) to continue and deepen its engagement in budget support, and also to provide additional complementary support for capacity development. However the FSF was available only more than six years after the end of conflict and when Sierra Leone had already made significant strides in strengthening public finance management. Sierra Leone's 2007 PEFA scores were already at a comparable level to other countries in Africa that had not undergone similar episodes of "fragility" so that fiduciary risk was not markedly greater than in many other countries that have received budget support. This case study has shown the benefits of having more resources available under ADF to support a coherent process of reform but this has not represented the most difficult type of environment in which the FSF might be used. A further issue relates to the question of "graduation" from the FSF and whether the Bank will have the ability through the ADF allocation to sustain the level of resources in future operations if progress is made in graduation beyond fragility.
- As noted Bank PBOs have been conceptualised principally as an instrument for PFM reform. While it clearly appears that the existence of the MDBS arrangement has contributed to a strengthening of government systems it is less clear that the provision of additional funds through the existing arrangement (as AfDB has provided) will in itself have an effect in strengthening PFM management, though in the case of EGRP resources are specifically earmarked to support the GoSL programme of strengthening public finance management, the IPFMRP. The principal result of providing additional funding through an existing mechanism is rather to enable GoSL to spend more on the provision of services and investment. Yet the Bank's analysis and measurement of results in fact pays little attention to this although it may in principle be possible to make an assessment of the extent to which the *quantity* of resources made available has affected overall government spending. None of the PCRs includes any analysis of the quantity of support provided and the results claimed do not appear to have any clear relation to the resources spent. Rather they relate to elements within the PAF or conditions for the operation without convincingly demonstrating that the Bank's operations have in fact caused these changes. More attention needs to be paid in the analysis of the results achieved with PBOs to the volume of resources provided and the impact this has had on government spending. Such an analysis would also contribute (ex ante) to providing a clearer rationale for the level of resources to be provided.
- There appears in Sierra Leone to have been no consideration of the possibility of using sectoral PBOs or to seeking specific synergies between the Bank's sectoral investment projects and PBOs provided, other than indirectly through the envisaged impact on strengthening government systems. There may be scope in general for exploring how PBO design may be used more directly both to draw on Bank sectoral expertise and to seek more directly to address constraints on progress at sector level.
- The establishment of the SLFO has enhanced the ability of the Bank to engage in MDBS forums and processes. However, there has been only limited engagement in wider policy dialogue, particularly limited engagement from the Bank's sector specialists (outside the

area of PFM and governance which is treated as a sector) or from the Bank's cross-sectoral expertise, for instance from the Country Economist. The Bank faces a strategic choice about whether it is worth investing more resources (especially at Field Office level including through decentralisation of staff from HQ) in strengthening capacity for engagement in policy dialogue or whether it should regard its contribution as being essentially a financial one.

6.2 Issues for future PBOs in Sierra Leone

The case study visit to Freetown took place just ahead of a mission to begin preparation of EGRP II, the next phase of budget support under the Fragile States Facility. The following issues were identified as potentially relevant for the design of this operation, based on the findings of this case study:

- A decision needs to be taken as to whether (and if so how) the operation should be multisectoral in its perspective (in the sense of having objectives that go beyond PFM strengthening), and how the operation might be most effectively designed both to yield benefits for the Bank's Sierra Leone portfolio as a whole, and to incorporate other sectoral perspectives effectively in the design and management of the operation.
- The work that has been done so far by the MDBS group on developing a PAF, and the lessons learned from earlier budget support operations (particularly the need for simplification of conditions, and the avoidance of legislative triggers) means that there is a better framework in place in which EGRP II can be situated than was the case for EGRP I.
- The link between the defined objectives of the operation and the conditions selected for effectiveness needs to be carefully considered and the underlying logic for the selection of conditions needs to be very clear, including in relation to the assessment of how selection as conditions/benchmarks is likely to affect the probability of achievement. There is a potential trade-off between predictability of disbursement (to support effective service delivery) and leverage over policy.
- EGRP II should contain a specific graduation strategy with the objective of enabling Sierra Leone to be eligible for budget support from ADF resources, as it is unlikely to have continued access to the FSF beyond the next cycle, including an assessment of the time and resources that will be required to achieve this.
- Consideration needs to be given as to how to encourage broader government ownership of the PAF and improved coordination, monitoring, delivery and planning across GOSL. This might include, for instance, encouraging the inclusion of performance targets derived from the PAF in ministers' performance agreements with the President, the linking of budget disbursements to MDAs to their achievement of PAF benchmarks, greater involvement of Parliament in monitoring performance against the PAF, and (crucially) more systematic follow up by donors with MDAs whose performance is seen as particularly critical for achieving PAF benchmarks, including through closer monitoring of process variables and timetables for achieving benchmarks.
- Both the 50th Anniversary of Independence during 2011 and the elections during 2012 will bring political pressures on the government to expand recurrent spending, increasing the risks of a breakdown of budget discipline as happened during the election year of 2007. The design of the operation needs to consider how these risks can be managed. The Bank may find itself exposed to political criticisms if, for instance, there are delays in the provision of the 2012 tranche that influence government expenditure ahead of or around elections. Conversely, the Bank might seek to strengthen budget discipline over

this difficult period through its conditionality, although it is unclear how effective this might be.

- The critical issue for Sierra Leone's long-run fiscal sustainability is the improvement of domestic revenue effort. Design of the operation needs to consider how support and encouragement to improving domestic revenue effort can most effectively be provided.
- A critical issue for sustainability of systems improvements such as in public finance management is the ability of government to retain trained staff and to use them effectively. Implementing a consistent strategy agreed between donors and government on how to achieve this is an important priority.
- The scope for decentralisation of management of the operation needs to be considered, as well as how most effectively to use the capacity and presence of the SLFO, with the context of the Bank's overall commitments on decentralisation.
- The Bank should consider, in the process of preparation of the operation, how the MDBS group could be made more effective, how it can enhance its own participation in the MDBS, and how it can seek agreement from the other members, and from GOSL, to bring about any desired changes.

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Annex A Evaluation Matrix

Main evaluation questions
C. Has AfDB developed the organisational capacity and capability to deliver PBOs efficiently and effectively?
<p>C1. Has AfDB adopted an explicit in-house capacity building programme to support delivery of PBOs? If so describe it.</p> <p>C2. Has AfDB been appropriately structured and staffed to deliver PBOs? What was done?</p> <p>C3. How have successive efforts to reorganise the AfDB and decentralise affected the planning and delivery of PBOs?</p> <p>C4. In what ways have internal business processes helped or hindered the processing, approval and disbursement of PBOs? Specify examples.</p> <p>C5. Have the AfDB's corporate systems for knowledge sharing, results monitoring and financial management support effectively contributed to PBOs delivery? Has anything been weak or missing?</p>
<p>Answers</p> <p>C1: There has been no explicit in-house capacity building programme to support delivery of PBOs.</p> <p>C2: ERRL I, II and III were designed and implemented before the establishment of the SLFO and before the Bank's full participation in MDBS. The Bank therefore had little in-country capacity or ability to engage in policy dialogue, and was heavily dependent on other development partners (specifically the World Bank and IMF) for analytical work. EGRP has been designed and implemented with involvement from the SLFO and the Bank has been fully able to participate in the MDBS arrangements. However, the SLFO lacks PFM expertise and capacity to engage in sector level policy dialogue. The establishment of the Fragile States Facility has enabled the Bank to play a greatly enhanced role in Sierra Leone, including in relation to the provision of direct budget support, which it would have been unable to do if it had remained reliant on the allocation of resources under ADF.</p> <p>C3: Establishing the SLFO has improved the capacity of the Bank to participate in MDBS and to engage with government. While management of the EGRP remains in OSGE in Tunis there is generally good communication in relation to this project, although SLFO staff feel that HQ staff across the programme in general are often unwilling to visit Freetown which contributes to the country receiving less attention and HQ engagement than would be desirable. Sector staff have not participated in policy dialogue around EGRP although some of the main issues discussed in relation to MDBS (for instance on the energy sector) have been sectoral ones. There has been no decentralisation of decision-making on the programme to SLFO level although SLFO staff have been closely involved in implementation of EGRP I and the design of EGRP II.</p> <p>C4: The Bank encountered significant difficulties monitoring the performance of ERRL II and III which contributed to delays in disbursement, and the PCR for ERRL III identified delays in communication within the Bank as contributing to delayed disbursement. Second tranche release of EGRP I was delayed because of the need to seek a Board waiver when the GoSL encountered difficulties meeting the requirement to undertake a study on electricity tariffs. The Bank's inability to provide pooled funds has meant that support for the government's public finance reform programme (IPFMRP), which other donors are supporting through pooled funding, has been provided through earmarked budget support under EGRP I.</p> <p>C5: The Bank's corporate systems do not appear to have played a direct role in PBO design or delivery. Lessons identified from the experience of ERRL II were not sufficiently taken into account in the design of ERRL III but the delays in the production of PCRs for earlier operations</p>

Main evaluation questions
meant there was no opportunity for lesson learning through this route. Formal and informal sharing of information and lessons within OSGE are likely to have affected the design of the EGRP but it is difficult to relate this to specific corporate systems.
E. How well has AfDB matched the PBO to the needs and situation of individual RMCs?
<p>E1. What steps did AfDB take in the PBO operation to analyse the problems and understand the political context and level of stakeholder support? Who was consulted in the appraisal and design phase?</p> <p>E2. What actions did the AfDB take to effectively appraise PBO operations to identify the key policy options and constraints on growth and poverty reduction?</p> <p>E3. Was fiduciary risk systematically assessed and compared to potential benefits of PBO? What did this involve?</p> <p>E4. Was AfDB appraisal work typically based on sufficient knowledge of recipient countries and take into account past reform experience?</p> <p>E5. How flexible has AfDB been in appraising and selecting the PBO instrument and conditions to match the local context?</p> <p>E6. Have PBL log frames provided a coherent and robust basis for tracing results and measuring outputs achieved?</p> <p>E7. To what extent did the design of PBO impose additional reporting and accountability requirements on the partner Government? Was the design informed by prior discussions with the RMC and with development partners already contributing to the PBO?</p>
<p>Answers</p> <p>E1. The Bank has made extensive use of the analytical work undertaken by its development partners in the MDBS group, and through the development of the JAS with the World Bank. No specific analysis of the political context was carried out.</p> <p>E2. The appraisal document for EGRP I did not analyse in detail policy options or constraints on growth and poverty reduction, although it included some discussion of economic and poverty reduction performance. The analysis focused on the benefits of improved public finance management. The appraisal team consisted of OSGE and SLFO staff, including the SLFO economist, but no other sectoral or economic expertise was used for the appraisal (other than through peer review).</p> <p>E3. Fiduciary risk assessment was based on analysis carried out by other agencies in the MDBS group, notably PEFAR and IMF assessments. Risk mitigation measures were discussed but no explicit comparison of risks and benefits was made. However, the application of the two stage criteria for determining eligibility for FSF support required a more detailed analysis of risks and expected impacts.</p> <p>E4. The appraisal for EGRP I included an analysis of lessons from earlier operations (though it was noted that problems identified in the implementation of ERRL II were repeated in ERRL III). Appraisal drew heavily on the analysis and experience of other agencies with a longer record of MDBS involvement. It appears to have been based on sufficient knowledge of the context.</p> <p>E5. EGRP I was implemented as a grant under the Fragile States Facility which is specifically designed for fragile and post-conflict contexts. The establishment of the FSF has enabled the Bank to develop an approach more specifically suited for the context of Sierra Leone, compared to the earlier ERRL operations including through providing resources for complementary capacity building. The FSF has also increased the amount of resources available. The Bank has successfully applied this approach within a harmonised framework with the other MDBS donors.</p> <p>E6. The Results Based Framework for EGRP is based on the PAF jointly agreed between GoSL and the MDBS partners. The Results Based Framework for the EGRP identifies three areas of activity (enhanced external audit, core PFM reforms, and revenue administration) and identifies performance indicators and targets for each (though there is no analysis of how the Bank's specific activities are envisaged as contributing to the achievement of the objectives). Assessment of performance has been made through joint donor MDBS monitoring processes.</p>

<p>Main evaluation questions</p> <p>While it should be possible to assess performance against the objectives, it would be difficult to attribute any results achieved specifically to the Bank's contribution.</p> <p>E7. There have been no additional reporting or accountability requirements for government resulting from the PBOs other than audit of special accounts, since conditions have generally been part of the PAF, though government has encountered difficulties (under ERRP II) in providing specific reports required by the Bank.</p>
<p>F. How efficiently and effectively has AfDB planned and designed PBOs?</p> <p>F1. How are allocations for PBL made within the AfDB and country programmes?</p> <p>F2. What are the key design features of the PBOs used?</p> <p>F3. How does the approach to PBO design compare with other major providers such as the World Bank?</p> <p>F4. What have been the trends in the use of multiple or single tranches?</p> <p>F5. How has the approach to conditionality evolved over time and how did AfDB seek to exert policy leverage? Have current conditionalities been informed and shaped by discussions with the RMC?</p> <p>F6. How effectively has AfDB dealt with non-compliance with PBL conditions by partner countries?</p> <p>F7. What steps were taken to ensure that the monitoring and reporting requirements of PBOs were appropriate?</p> <p>F.8 Has there been an adequate M&E framework in place? Is it aligned with other development partners and designed in consultation with government? Have lessons learned been fed back into PBO design?</p>
<p>Answers</p> <p>F1. Sierra Leone is an ADF country and the level of resources available was determined by the ADF allocation formula. There is no specific justification of the level of resources applied to the PBOs in the programme appraisal documentation, other than those derived from ADF guidelines (such as those under ADF-X requiring PBOs to be no more than 50% of a country programme). The level of resources envisaged for ERRP III was substantially cut to conform to ADF-X's resource allocation for the country and the requirement that the share of policy based support for each country should not exceed 50 percent of its respective allocation. Sierra Leone's subsequent eligibility for the FSF meant that substantial additional resources were available to the country compared to its ADF quota.</p> <p>F.2. Each of the four operations has been in two tranches, using conditions and a performance framework that have been based on those developed by the World Bank, IMF, and the other members of the MDDBS (DFID and the EC). The approach has therefore been harmonised in terms of the framework, though only the last operation (EGRP) has involved direct participation in the MDDBS arrangement. EGRP includes an earmarking of resources to fund counterpart costs of the government's public finance reform programme (IPFMRP), as well as envisaged complementary support under Window III of the FSF.</p> <p>F3. The Bank PBOs have used a similar structure of conditions to other MDDBS donors with conditions derived from the PAF and developed in close consultation with the other donors. Both DFID and the EC budget support has included a variable, performance-related tranche element unlike the fixed tranches in the Bank operations. The World Bank is providing programmatic support (i.e. a series of single tranche operations).</p> <p>F4. All four of the operations (ERRL I, II and III and EGRP I) have had two tranches.</p> <p>F5. Conditions have been developed in close collaboration with both the GoSL and partners in the MDDBS group. There has been a trend throughout the period to reduce the number and complexity of conditions for all MDDBS donors. The Bank does not appear to have sought to</p>

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exercise policy leverage through its engagement, but rather to support objectives to which GoSL is committed.

F6. There has been a general problem of incomplete or delayed compliance with conditions (affecting ERRL II, ERRL III and EGRP i). These have been attributed to weaknesses in government capacity and management rather than a reflection of unwillingness to comply or a lack of commitment to agreed objectives. The result has been that there have been significant delays to disbursement resulting from failure to meet specific conditions (such as the failure to complete the power tariff study that was a second tranche condition for EGRP I. Failure to meet conditions has been addressed through seeking waivers from the Board and through extending periods of the operation.

F7. Problems with the quality of monitoring and reporting occurred in ERRL II and III. Monitoring has been improved through the role of the SLFO and full participation in the MDBS framework.

F8. The framework is strongly aligned on government objectives and harmonised with other donors, though the framework does not allow the Bank's specific contribution and value added to be straightforwardly identified.

G. What has been achieved by AfDB through the provision of PBLs?

G1. What has been the disbursement record of PBL?

G2. What has been the record of achievement of policy targets set by the AfDB and agreed with RMCs?

G3. To what extent is AfDB perceived by partner governments and donors as playing an active part in policy dialogue and adding value to the process?

G4. To what extent has AfDB demonstrated to the donor community the benefits of PBL in new and difficult environments such as fragile states?

Answers

G1. Under ERRL I there was a prolongation of four months over the 13 month programme implementation schedule. This delay was not regarded as adversely affecting implementation. For ERRL II there was a 51 day delay in reaching effectiveness. The first tranche conditions were met allowing disbursement with a three month delay. Second tranche conditions were also all met with a six month delay (the result of delays in the Central Bank's justification of the utilisation of resources under the first tranche and "procrastination because of staff constraints on the part of the Bank in fielding the mid-term review mission" (ERRL II PCR, p.3). ERRL III experienced a four month delay in reaching effectiveness, a three month delay in first tranche disbursement, and a five month delay in second tranche disbursement. Delays were apparently the result of delays in GoSL providing sufficient evidence of grant fulfilment, and delays in correspondence between GoSL and ADF as well as within ADF. Implementation of one first tranche condition (recruitment of a second Deputy Accountant General) was delayed. An institutional support programme complementary to ERRL III did not become effective until July 2006, seven months after effectiveness of the PBL it was intended to support. EGRP experienced delays in second tranche release as a result of the failure of government to meet all conditions.

G2. Policy targets were reported as largely met for all the operations. The area showing least progress was on civil service reform under ERRL II, and weak macroeconomic performance during 2006 and lack of progress in procurement reform also under ERRL III. However, the causal link between the specific Bank operation and the results claimed was often unclear. For example, the PCR EN for ERRL I states that "as a result of the program, GDP growth in 2001 and 2002 was of the order of 18.2% and 27.5% respectively and inflation declined". No evidence is however presented on the proportion of this achievement that might be attributed to the Bank's operation (and the UA 10 million of financing provided).

G3. The Bank played little role in policy dialogue under the first three operations reflecting in part its lack of field presence. None of the PCRs for

<p>Main evaluation questions</p>
<p>ERRL I, II and III presents any evidence about Bank engagement in policy dialogue. The Bank, mainly through the SLFO, has participated actively in the MDBS process with EGRP, though it has not brought specific sector policy expertise to bear on this process. The Bank is considered to add value principally through the finance it has provided.</p> <p>G.4 The EGRP under the FSF (including the Window III complementary support) is regarded as valuable in Sierra Leone's current context as providing additional funding on favourable terms at a point (more than five years after the end of conflict) where donor support often falls away in post-conflict countries. ERRL I was assessed as showing the value of PBO support in an immediate post-conflict context. This experience does not however appear to have been widely disseminated within the donor community.</p>
<p>H: What did AfDB set out to achieve by providing PBOs and what factors influenced the choice of modality?</p>
<p>H1. Did the country strategy provide an adequate strategic and analytical framework for choosing an appropriate mix of aid instruments? H2. Was there a clear link and consistency between country programme and PBOs objectives? H3. What was the rationale for PBOs, the type chosen and the allocations made? H4. What were the objectives (written and unwritten) and the expected outputs of the PBOs? H5. How was the overall level of PBO determined within the country budget? H6. How were choices between aid instruments made in practice and how was the overall level of PBOs determined within the country budget? H7. Was the design of PBOs shaped to the specific institutional, economic and political context? Specify how. H8. What other (unwritten) factors and incentives may have influenced decisions to select PBOs?</p>
<p>Answers</p> <p>H1. Under the AfDB/WB Joint Assistance Strategy, Budget Support (EGRP II) is intended to improve expenditure controls and transparency in public resource management, as well as to improve the standing of Sierra Leone as [an] investment destination, as part of the focus on governance of AfDB support. A specific justification for the level of support envisaged for EGRP II as compared to other components of the programme is not provided. Similarly, the 2005-9 CSP set out the justification for ERRL III in relation to the objectives of improving governance but without an explicit explanation for the level of PBO support provided.</p> <p>H2. Yes, though the precise intervention logic for the PBO in relation to its contribution to achieving objectives is not detailed.</p> <p>H3. The rationale for ERRL I was mainly to provide finance for imports to help accelerate economic growth in the aftermath of conflict in the context of the provision of programmatic support by other major donors. The rationale for subsequent operations has been both to support the achievement of macroeconomic objectives while also strengthening economic management and governance. There is no specific justification of the level of support</p> <p>H4. Objectives for each operation related to improved macroeconomic performance and strengthened public finance management. Outputs specified related mainly to the implementation of specific measures to improve public finance management.</p> <p>H5. The overall level of resources for PBOs under ADF-X were constrained (to only about half the amount originally envisaged) because the ADF performance-based allocation was lower than anticipated and to meet the requirement under ADF-X that no more than 50% of a country's ADF allocation should be used for PBOs. Under the FSF additional resources have been available compared to the ADF allocation. The rationale for the level of financing proposed for the PBO is however not clearly specified.</p> <p>H6. See H5.</p>

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<p>H7. The main way in which the design of PBOs was shaped to the context was through alignment with government strategies (PRSP I and PRSP II) and harmonisation with other donors providing budget support.</p> <p>H8. The Bank has achieved a substantially better disbursement record for PBOs than for its investment operations in Sierra Leone. This may also have contributed to the desire to continue to provide PBOs.</p>
I: How relevant was the PBOs support to partner country problems, policies and priorities and were policy reforms owned?
<p>I1. Was the PBOs support consistent with the national poverty reduction objectives and development plans of the Government? Explain how this was assessed</p> <p>I2. How far were the policy and institutional reforms targeted by the PBO developed by and in consultation with local stakeholders (both within and outside government) and how far did they engage in preparatory analysis?</p> <p>I3. In what ways did the AfDB analyse the political economy context and the potential winners and losers from policy and institutional reforms?</p> <p>I4. Were alternative policies and reform measures considered?</p> <p>I5. What inputs were actually provided and to what extent did they match the plans envisaged by the Government?</p> <p>I6. Explain the process by which the programme was designed to ensure it was appropriate for achieving the objectives (e.g. adequate programme logic, appropriate reform instruments, adequate tranching?)</p>
Answers
<p>I1: The PBOs have been fully consistent with PRSP I and II and the specific design features of each operation have been fully discussed and agreed with GoSL and other development partners.</p> <p>I2: The Bank has engaged in extensive discussions with government stakeholders during the design of PBOs. The Bank has not conducted wide consultation with other stakeholders relying instead on assessments that government strategies have generally been developed through reasonably participatory consultative processes.</p> <p>I3: The Bank has not explicitly analysed the political economy context or the distributional impact of policy and institutional reforms.</p> <p>I4: There is no evidence that alternative instruments were considered. The focus on “governance” is a reflection of what is considered to be the Bank’s comparative advantage. The selection of specific conditions and components from the PAF was undertaken in close consultation with GoSL and development partners.</p> <p>I5: The Bank provided UA 10 million under ERRL I, UA 17.28 million under ERRL II, UA 10.7 million under ERRL III and UA 10 million under EGRP I. These totals were in line with the amounts envisaged by government, except that resources available for ERRL III were substantially reduced (from UA 20 million) as a result of adjustments to Sierra Leone’s ADF allocation compared to what was originally envisaged. There were delays amounting to several months in disbursement compared to what was originally envisaged particular for the second tranches of ERRL III and EGRP.</p> <p>I6: The design of each operation took place within the existing context of joint donor support, including policy matrices developed with close involvement of the IMF and World Bank. The main design decision in each case related to the choice of objectives (from those outlined in the policy matrix or PAF) and the specification of conditions for effectiveness and for tranche release. This was done through detailed discussion and negotiation with government and development partners.</p>

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J: How efficiently and effectively did the AfDB collaborate with other donors and contribute to the harmonisation process?
<p>J1. What were the areas of focus for AfDB conditionality and did this generate any “signalling” effects and positive incentives for implementation?</p> <p>J2. In the PBO process, what steps were taken to ensure an effective dialogue with government was established which focused on key strategic priorities of Government, for example around PFM or procurement issues or other national or sector policies?</p> <p>J3. Was the PBO associated with non financial forms of assistance such as economic and sector work or technical assistance or linked to other AfDB capacity building projects and programmes in areas of strategic priority for Government? If so, specify how.</p> <p>J4. Explain how the AfDB provision of PBO has contributed to harmonisation and helped reduce transaction costs for Government?</p> <p>J5. How well did AfDB systems support harmonisation in country-in particular what was the role of the HQ based task leaders, convenience of mission schedules, engagement and voice in joint donor groups, role of the Field Office, Field Office and HQ relations etc.</p> <p>J6. If there has been non-compliance, explain what happened and specify how effectively AfDB dealt with this and was action taken and the extent to which they occurred in collaboration with development partners?</p>
<p>Answers</p> <p>J1: Areas of Bank conditionality for each of the operations included maintenance of an appropriate macroeconomic framework and various measures relating either to sector policy or PFM reform selected from existing commitments. In principle the specification of conditions may have created some positive incentives for implementation of measure to which GoSL had already expressed commitment in order to ensure timely access to funds. Failures to meet conditions in a timely way appear to have resulted from capacity constraints within GoSL rather than weak commitment to the agreed objectives.</p> <p>J2: Maintenance of effective dialogue for EGRP has been improved compared to earlier operations by the Bank’s full participation within the MDBS framework which has included regular joint review meetings. Earlier operations (particularly ERRL II and ERRL III) involved less Bank participation in joint review processes which contributed to weaknesses in monitoring and reporting identified in the PCRs.</p> <p>J3: The first two operations were not linked to non-financial forms of assistance. ERRL III had a complementary TA project focused on capacity development but there were delays in bringing this to effectiveness. EGRP has included an earmarking of funds to support the GoSL’s overarching PFM reform process, as well as additional support to capacity building under the FSF Window III.</p> <p>J4: EGRP was fully based on the use of harmonised and aligned procedures through the MDBS arrangements and so represented an improvement in this respect (and a likely reduction in government transaction costs) compared to the earlier operations although no data is available on which to make a definitive judgement about this.</p> <p>J5: The Bank’s contribution to harmonisation, quality of dialogue with government, and effective involvement in joint donor groups has been improved by the establishment of the SLFO. There appears to have been effective cooperation between the SLFO and HQ during the implementation of EGRP I. Earlier operations encountered some problems of weak communication and slowness in Bank processes that contributed to implementation delays.</p> <p>J6: Problems of non-compliance have mainly been caused by capacity constraints affecting GoSL’s ability to implement agreed measures and to provide satisfactory documentation of actions taken. In one case (failure to carry out a study on power tariffs under EGRP) this resulted in a request for a Board waiver. The delay in carrying out the study resulted from an incorrect expectation that the condition would be met through a</p>

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study financed by another donor (JICA), and then delays from GoSL in communicating the problems being encountered either internally or to the MDDBS donors, and then in organising an alternative means of carrying out a study with appropriate Terms of Reference.
K: How far were the immediate objectives of PBO met and what were the effects on Government?
<p>K1. Specify how AfDB contributed to an increased external resource flow into the Government budget over the period of successive PBO tranches?</p> <p>K2. Were AfDB funds disbursed as planned and in line with a timetable agreed with other donors and the Government? If not, what happened and why?</p> <p>K3. Did the PBO contribute to an increased predictability of funds going into the Government budget e.g. in year and between years as well as over the medium term budgeting cycle? If so, specify, if not explain why and what happened</p> <p>K4. To what extent did the PBO align with the Government budget cycle (financial management, accounting and procurement systems)?</p> <p>K5. Did the provision of PBO contribute to any overall reduction in transaction costs? If so, in what ways, and how was this positive outcome assessed? How did transaction costs of the Government working with the AfDB compare to those of other donors?</p> <p>K6. What did the AfDB achieve in terms of greater alignment? How did this compare with other donors?</p> <p>K7. How did AfDB systems support or limit alignment of PBOs to country systems and needs e.g. in relation to annual and multiyear budgeting, degree of AfDB flexibility to accommodate timing, and the degree to which Bank procedures support disbursement early in the financial year?</p>
Answers
<p>K1. PBOs have provided a total of UA 47.98 million to the government budget between 2001 and 2010.</p> <p>K2. As discussed in G1 above some delays were encountered as a result of delays in meeting conditions and in the Bank processing necessary documentation.</p> <p>K3. Bank PBOs have been provided in a way that has been predictable over the medium term, though with some in-year delays. The one major exception was the almost halving of resources originally programmed for ERRL III.</p> <p>K4. Bank PBOs have been well aligned with Government budget processes and have used government systems though there have been in-year delays in disbursement.</p> <p>K5. No measures of transactions costs are available and it is not clear against what benchmark a “reduction” could be measured. Transactions costs are likely to have been reduced by the high level of harmonisation among donors and the Bank’s participation in the MDDBS framework.</p> <p>K6. Bank PBOs are fully aligned on GoSL policies and systems as is other MDDBS support. The requirement for the use of a special account is the only difference for Bank support compared to other donors and this does not appear to have any significant impact.</p> <p>K7. The need to align with ADF cycles and the Bank’s annual budgeting process (also linked to ADF allocation) has limited the extent to which it has been possible for the Bank to disburse early in the GoSL financial year (which is the calendar year).</p>
L: What contribution has AfDB support made to improve policy, systems or institutions in the areas where PBOs were focused?
<p>L1. What policy changes have been introduced over time in areas or sectors where the PBO conditionality was focused and why were these changes made?</p> <p>L2. In what ways did AfDB policy dialogue in specific areas such as PFM contribute to improved results in those areas?</p>

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L3. What is the role of the AfDB field office in relation to the use of PBOs?

L4. What were the type, role and use of pre conditions by the AfDB and what specific influence did they have?

L5. What institutional or system changes have taken place in areas or sectors where the PBOs conditionality was concentrated?

L6. To what extent is it able to show how far can any of these institutional or system improvements be attributed to AfDB engagement and provision of PBOs?

L7. What do Government and donors think was the value added arising from AfDB involvement and provision of PBOs?

Answers

L1. There has generally been a high level of compliance with conditions despite some delays. Sierra Leone has made progress in terms of economic growth and macroeconomic performance, and improvements in public finance management. In some areas that have been a focus of the stated objectives of Bank operations (if not of specific conditions) there has been less progress. For instance revenue performance has been consistently weak although it has been an important objective of Bank operations to improve it. Progress made and reforms implemented have been the result of actions set out by GoSL in its policy plans supported by donors, particularly the MDDBS donors. The availability of funding through budget support has contributed to implementation as has advice and technical assistance (though it is argued that the availability of budget support may to some extent have reduced incentives for improved revenue effort). The Bank has been an important part of the harmonised donor effort in support of government objectives.

L2. The Bank has contributed to PFM reform principally through an institutional support project linked to ERRL III, through contributing to the financing of IPFMRP through EGRP I, and it is intended to contribute additional support under Window III of the FSF. This contribution has been through TA and project support rather than through policy dialogue as such.

L3. SLFO has played an important role in the design and monitoring of EGRP I (and subsequently of EGRP II). The enhanced field presence has helped address the weakness of monitoring and reporting that was a problem in ERRL II and III, and has enabled the Bank to participate fully as a partner in MDDBS.

L4. Conditions for PBO effectiveness were in part technical (relating to the establishment of a Special Account and appropriate governance arrangements for the operation), and in part related to the fulfilment of conditions of sound macroeconomic management and strengthened PFM. Conditions for effectiveness do not appear to have been selected with a view to achieving leverage over policy, but rather to ensure that the Bank's requirements have been met including in terms of fiduciary risk.

L5. There has been improvement in significant aspects of PFM as measured by PEFA scores and other indicators, including strengthening the institutional framework through legal and regulatory reforms. However these improvements have been to an important degree dependent on the recruitment of (predominantly local) TA using donor funding and there are issues about the sustainability of these improvements, as well as constraints on performance elsewhere in the PFM system (for instance effective budget execution) because of continuing institutional and organisational weaknesses. In general performance against PAF benchmarks has been mixed, resulting in the withholding of performance-related tranches of support from DFID and the EC.

L6. Improvements have depended on donor support including through MDDBS to which the Bank has contributed. It is difficult to isolate specific areas where Bank involvement has had a particular impact.

L7. The value of Bank support through PBOs has mainly been the finance provided, particularly in the immediate post-conflict period. The Bank has made limited contribution to policy dialogue though this has increased somewhat under EGRP. The presence of an additional multilateral

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donor within the MDBS group is much valued by GoSL as this contributes to stability of funding as well as increasing the level of support overall.
M: Is there any evidence of a sustained improvement in pro poor spending or public services and have external donor contributions including that by AfDB, contributed to this?
<p>M1. What has been the total financial contribution of the donor community and what proportion of this total was financed by AfDB?</p> <p>M2. Has the quantity or quality of public services improved in the areas where commitments were sought by the donors and the AfDB? If so specify how.</p> <p>M3. To what extent can any improvement be attributed to the external donor support including that of the AfDB? Specify.</p>
<p>Answers</p> <p>M1. ADF has provided up to 10% of the budget support and related programmatic aid (from the World Bank, European Commission, DFID and the IMF) to Sierra Leone since 2001. This support in total has typically provided around 30% of the government's recurrent budget though this has varied greatly from year to year.</p> <p>M2: There have been significant improvements in economic performance, PFM, and the level of resources provided to priority areas of spending. Little information is available on the quality of service provision. Budget execution has been adversely affected by delays in the disbursement of MDBS resulting from failures to meet conditions, and the withholding of the performance element of support by DFID and the EC.</p> <p>M3: GoSL recurrent spending is heavily dependent on external donor support through MDBS and related programmatic operations so increased service provision has required donor support.</p>

Annex B Country Time Line

Time period	AfDB HQ Policy Changes	AfDB Sierra Leone lending instruments	Sierra Leone Country Context
1960's		<p>1969: The Bank Group commenced its lending operations in Sierra Leone.</p> <p>1969: Approval of Extension of Water Supply Network Project (Public Utilities, UA 1.5m, of which UA 0.2m was cancelled).</p>	<p>1961: Sierra Leone becomes independent.</p> <p>1967: Military coup deposes Premier Siaka Stevens' government.</p> <p>1968: Siaka Stevens returns to power at the head of a civilian government following another military coup.</p>
1970's	<p>An economic crisis was experienced by African economies in the 70s, this was largely attributable to endogenous factors that were embodied in inappropriate policies adopted by Governments. The first generation of Policy Based Loans (PBLs) came about partly in response to this crisis (at the end of 1970s and the 80s) the loans focused on redressing short-term macro-economic imbalances.</p>	<p>1973: Approval of Gambi-Mattru Oil Palm Project (Agriculture, UA 4.5m).</p> <p>1974: Approval of Line of Credit I (Finance, UA 1m).</p> <p>1977: Approval of Line of Credit II (Finance, UA 3m, of which UA 1m was cancelled).</p> <p>1977: Approval of Bunumbu Teachers College Project (Social, UA 4.6m).</p> <p>1978: Approval of Torma Bum Rice Dev Project (Agriculture, UA 4.4m).</p> <p>1978: Approval of Freetown Sewerage Project (Public Utilities, UA 0.4m, of which UA 0.07m was cancelled).</p> <p>1978: Approval of Freetown Water Supply Project (Public Utilities, UA 1.4m, of which UA 0.03m was cancelled).</p> <p>1979: Approval of Moyamba Integrated Rural Dev. Project (Agriculture, UA 7.4m).</p>	<p>1971: Sierra Leone declared a republic, Stevens becomes executive president.</p> <p>1978: New constitution proclaims Sierra Leone a one-party state with the All People's Congress as the sole legal party.</p>
1980's	<p>AfDB introduced Policy Based Loans (PBLs) in the 1980s in response to the demand by the bank's Regional Member Countries (RMCs) for support in balance of payments as they implemented stabilisation and structural reforms.</p> <p>1984: The Board of Directors approved non-project lending to regional member countries and laid down the necessary guidelines such that the Fund would support institutional and policy reforms already being undertaken by borrowing countries and in close collaboration with the WB and IDA.</p> <p>1986: The ADB Group decided to strengthen its intervention in the area of economic policy and</p>	<p>1981: Approval of Northern Integrated Agr. Dev. Project (Agriculture, UA 6.7m).</p> <p>1981: Approval of Gambia Mattru Oil Palm Phase II (Agriculture, UA 2.5m).</p> <p>1985: Approval of Rhombe Swamp Irrigation Study Project (Agriculture, UA 1.2m).</p> <p>1981: Approval of Highway Maintenance Project (Transport, UA 6.4m, of which UA 1.5m was cancelled).</p> <p>1989: Approval of Health Sector Study Project (Social, UA 1.1m).</p>	<p>1985: Major-General Joseph Saidu Momoh becomes president following Stevens's retirement.</p> <p>1987: Momoh declares state of economic emergency.</p>

Time period	AfDB HQ Policy Changes	AfDB Sierra Leone lending instruments	Sierra Leone Country Context
	<p>policy dialogue with member states.</p> <p>1987: Establishment of the Special Programme of Assistance to Africa (SPA).</p> <p>1988: Publication of the AfDB's 'PBL Guidelines and Procedures' which defined PBLs as instruments "to assist regional member countries (RMCs) in their effort to restructure their economies and to restore growth with equity and creditworthiness", with two main instruments: Structural adjustment loans and sectoral adjustment loans.</p>		
<p>1990's</p>	<p>1990: Special Programme of Assistance for Africa (SPA) discussions – it was agreed that the case for earmarking of counterpart funds for specific uses should be decreased as progress is made in effective public expenditure monitoring and periodic reviews.</p> <p>From the beginning of the 1990s a second generation of PBLs began. These were focused on long-term objectives such as sustainable growth, private sector development and poverty reduction.</p> <p>1992: Special Programme of Assistance for Africa (SPA) report on PERs – this recognised that generally agreed aims of priority spending are not easily achieved.</p> <p>1993-1995: The bank financed very few projects as a result of the non-availability of African Development Fund (ADF) resources.</p> <p>From 1999, the governance component of reforms within the African Development Bank (AfDB) increased, including legal and judicial reforms, audit reform, and public expenditure reforms. Also, PBLs started addressing some aspects of regional integration.</p>	<p>1990: Approval of Bumbuna Falls Hydro-Electric Project (Energy, UA 2.5m).</p> <p>1990: Approval of Bumbuna Hydro-Electric Project Loan (Energy, UA 32.1m).</p> <p>1991: Approval of Master Plan Study for Agr Sector Project (Agriculture, UA 1.7m).</p> <p>1991: Approval of Line of Credit to NDB (Agriculture, UA 9.2m).</p> <p>1991: Approval of Quality Improvement for basic Educ Project (Social, UA 12.5m).</p> <p>1991: Approval of Program for Debt Management (Multi-sector, UA 0.45m).</p> <p>1992: Approval of Social Action Program (Multi-Sector, UA 5.5m).</p> <p>1992: Approval of Social Action Support Project (Social, UA 12m).</p> <p>1992: Approval of Institutional Support NDB Agric. Sector Project (Agriculture, UA 18.4m).</p> <p>1993: Approval of Matotoka-Sefadu Rd Rehabilitation Project (Transport, UA 9.2 m).</p> <p>1994 August: A portfolio restructuring exercise was undertaken, following which five projects were restructured and the resulting funds (UA 18.1 million) reallocated to complete Bumbuna Hydroelectric project. The restructured projects were; Bumbuna Teachers College, Quality Improvements for Basic Education, Torma Bum Rice Development, the Line of Credit to the National Development Bank (NDB) and the Matatoka-</p>	<p>1991: Start of civil war. Former army corporal Foday Sankoh and his Revolutionary United Front (RUF) begin campaign against President Momoh, capturing towns on border with Liberia.</p> <p>1991 September: New constitution providing for a multiparty system adopted.</p> <p>1992: President Joseph Momoh ousted in military coup led by Captain Valentine Strasser, apparently frustrated by failure to deal with rebels. Under international pressure, Strasser announces plans for the first multi-party elections since 1967.</p> <p>1996 January: Strasser ousted in military coup led by his defence minister, Brigadier Julius Maada Bio.</p> <p>1996: Ahmad Tejan Kabbah elected president in February, signs peace accord with Sankoh's rebels in November.</p> <p>1997: Peace deal unravels. President Kabbah deposed by army in May. Major Johnny Paul Koroma, in prison awaiting the outcome of a treason trial, leads the military junta - the Armed Forces Revolutionary Council (AFRC). Koroma suspends the constitution, bans demonstrations and abolishes political parties. Kabbah flees to Guinea to mobilise international support.</p> <p>1997 July: The Commonwealth suspends Sierra Leone.</p> <p>1997 October: The UN Security Council imposes sanctions against Sierra Leone, barring the supply of arms and petroleum products. A British company,</p>

Time period	AfDB HQ Policy Changes	AfDB Sierra Leone lending instruments	Sierra Leone Country Context
		<p>Sefadu Road Rehabilitation Project. As a result of the restructuring exercise four projects were closed down and the scope of the fifth, Quality Improvement for Basic Education, was reduced.</p> <p>1996-1998: AfDB Country Strategy Paper (UA 40.45m approved in March 1997) focused on rural development and social sector. Performance was unsatisfactory. Projects programmed could not be implemented largely due to the prolonged civil war, which included 18 months of complete inaccessibility over the past two and a half years. Only two operations were approved, the Health sector Services Rehabilitation Project (UA 10.5 million) and the Rolako Rhombe Irrigation Study (UA 1.65 million).</p> <p>1997: Approval of Studies for Irrigation in Rokalo and Rhombe Project (Agriculture, UA 1.7m).</p> <p>1997: Approval of Health Services Rehab Project (Social, UA 10.5m, of which 4.6m was cancelled).</p> <p>August 1997: Following the coup, the country started accumulating arrears on its payments obligations to the Bank and, eventually fell under sanctions on 1 August 1997.</p> <p>May 1998: Arrears were settled after the civilian government was reinstated.</p> <p>1998: On the recommendations of the assessment mission that visited Sierra Leone in May 1998, the Bank appraised a Rehabilitation and Reconstruction project for UA 8 million. The project was negotiated but was not presented to the Board because of the deteriorating security situation. A study of the Lungi/Freetown road was also prepared but could not be presented to the Boards for the same reason.</p> <p>1998 September: The Government successfully concluded negotiations with both the World Bank and the IMF, respectively, on a Public Sector Adjustment Credit (PSAC) amounting to US \$55 million and an economic and financial programme supported by a Post-conflict-Facility (PCF), amounting to US \$25 million. Furthermore, both the EU and DFID supported the programme agreed with the IMF to the tune of US</p>	<p>Sandline, nonetheless supplies "logistical support", including rifles, to Kabbah allies.</p> <p>1998 February: Nigerian-led West African intervention force Ecomog storms Freetown and drives rebels out.</p> <p>1998 March: Kabbah makes a triumphant return to Freetown amid scenes of public rejoicing.</p> <p>1999 January: Rebels backing Revolutionary United Front leader Foday Sankoh seize parts of Freetown from Ecomog. After weeks of bitter fighting they are driven out, leaving behind 5,000 dead and a devastated city. UN intervenes</p> <p>1999 May: A ceasefire is greeted with cautious optimism in Freetown amid hopes that eight years of civil war may soon be over.</p> <p>1999 July: Six weeks of talks in the Togolese capital, Lome, result in a peace agreement, under which the rebels receive posts in government and assurances they will not be prosecuted for war crimes.</p> <p>1999 November/December: UN troops arrive to police the peace agreement - but one rebel leader, Sam Bokari, says they are not welcome. Meanwhile, Ecomog troops are attacked outside Freetown.</p>

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		<p>\$5.5 million and US \$8.5 million, respectively. In addition, the Government's DDR programme received support from the UNDP, DFID and the World Bank, and its Reconstruction, Rehabilitation and Resettlement (RRR) programme was co-financed by the Bank Group, the World Bank and the EU.</p> <p>1999 February: AfDB Country Strategy Paper update. This CSP Update was prepared to inform the Boards of the latest socio-economic developments in the country, the status of implementation of the 1996-1998 Lending Program and a brief assessment of the performance of the country.</p> <p>1999-2001: AfDB Country Strategy Paper (UA 18.79m approved in November 1999). UA 11.41 million for projects, UA 1.67 million of ADF/TAF grants for institutional support projects and studies which will form the basis for future interventions, and UA 5.71 million for PBL. The sectoral distribution of the Bank Group's medium-term lending programme will be about 40% for agriculture, 30% for the social sector, 18% for transport and 12% for multi-sector. The resources were utilised for the Economic Rehabilitation and Recovery Loan, approved on 4 May 2001 (UA 10.00 million), the Artisanal Fisheries project of UA 10 million approved in 2001 and the TAF grant of UA 0.96 million, approved in November 2001 for the Institutional Support for Capacity Building Project. Total resource utilized under ADF-VIII was UA 20.96 million or 116 percent of the indicative basic allocation of UA 18.79 million.</p> <p>1999 December: AfDB Country Strategy Paper Corrigendum.</p> <p>1999 December: Approval of Rehabilitation and Reconstruction Project (UA 9.2m).</p>	
<p>2000</p>	<p>From 2000 there was a new generation of PBLs which marked a policy shift towards Budget Support and SWAPs</p> <p>2000: The AfDB's Board Committee for Development Effectiveness (CODE) strongly endorsed the work program of the Bank's Evaluation Department, OPEV, which included a move away</p>	<p>2000: Approval of Humanitarian Emergency Relief (Social, UA 0.4m).</p>	<p>2000 April/May: UN forces come under attack in the east of the country, but far worse is in store when first 50, then several hundred UN troops are abducted.</p> <p>2000 May: Rebels close in on Freetown; 800 British paratroopers sent to Freetown to evacuate British citizens and to help secure the airport for UN peacekeepers; rebel leader Foday Sankoh captured.</p>

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	<p>from project level evaluation to the evaluation of higher-level interventions.</p>		<p>2000 August: Eleven British soldiers taken hostage by a renegade militia group called the West Side Boys. 2000 September: British forces mount operation to rescue remaining UK hostages.</p>
<p>2001</p>	<p>2001: The Bank introduced Development Budget Support Lending (DBSL) as one of its PBL instruments. The idea was that the DBSL would be used selectively to complement the Bank's existing lending instruments. The first DBSL operations were implemented that year in Benin, Burkina Faso and Uganda.</p> <p>2001: The AfDB released the 'Handbook on Stakeholders Consultation and Participation in AfDB Operations' which outlines the different tools and techniques for civil society participation in Bank operations including policy formulation.</p> <p>2001: The AfDB adopted the evaluation standards developed by the Consortium Evaluation Groups (CEG), which includes a results-oriented, development effectiveness framework for all participating agencies.</p> <p>2001 June: OPEV led a workshop on Results-Based Management to inform and solicit viewpoints from managers and staff on the possibility of moving towards a results-based framework.</p> <p>2001: First DBSL operations took place in Benin, Burkina Faso and Uganda.</p> <p>June 2001: under ADF-IX Guidelines, the Bank will finance stand alone PBLs targeting governance and regional integration for which the IMF had deemed the macroeconomic framework satisfactory. The first one was for Zambia focusing on Fiscal Transparency and Accountability in June 2001.</p>	<p>2001: Approval of Artisanal Fisheries Project (Agriculture, UA 10m).</p> <p>2001 February: In February 2001, a Mini-Donors' Consultative Meeting (CGM) was held in Freetown. On the basis of sector reports compiled by the Integrated Approach to Aid Coordination (IAAC) Secretariat, attached to the Ministry of Development and Economic Planning (MODEP) and funded by UNDP, the meeting was highly successful in rallying support for financing the numerous post-conflict humanitarian needs.</p> <p>2001 April: Approval of <u>PBL</u> Economic Rehabilitation and Reconstruction Programme (Multi-Sector, UA 10m). This ADF loan was a quick disbursement balance of payment support loan to assist with the revival of Sierra Leone's economy and in continuing with the post conflict rehabilitation and reconstruction efforts. It was fully disbursed within a year after effectiveness, unlike the previous policy based operation that took three (3) years to fully disburse.</p> <p>2001 June: The Bank was invited to a donor meeting in Paris that marshalled funding to conclude the Disarmament Demobilization and Reintegration (DDR) programme.</p> <p>2001 November: Approval of Institutional Support Project (Multi-Sector, UA 1m).</p> <p>2001: The Bank assisted in the preparation of the Interim PRSP mainly by providing comments and suggestions and attending CSP seminars. In November 2001, the Boards of Directors approved the Capacity strengthening, Governance and Poverty Reduction Grant that will assist in financing some selected components of the full PRSP, which include: (i) review of existing poverty database; and (ii) poverty related studies on the economy and micro-finance. The Bank continued to participate fully in the preparation of Sierra</p>	<p>2001 January: Government postpones presidential and parliamentary elections - set for February and March - because of continuing insecurity.</p> <p>2001 March: UN troops for the first time begin to deploy peacefully in rebel-held territory.</p> <p>2001 May: Disarmament of rebels begins, and British-trained Sierra Leone army starts deploying in rebel-held areas.</p> <p>2001 June: Interim PRSP published. The I-PRSP's objectives, which were cast in a medium-term framework, were to be implemented in two phases. In the transitional phase (2001-2002), emphasis was placed on: (i) restoring national security and good governance; (ii) re-launching the economy; and (iii) providing basic social services to the most vulnerable groups. The medium-term (2003-2004) would focus on good governance, revival of the economy and social sector development.</p> <p>2001 September: The IMF approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) in support of the Government's Poverty Reduction Programme for the period 2001-2004.</p>

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<p>2002</p>	<p>2002: A new CSP format was adopted, representing a major start in improving the CSPs submitted to the Board in general.</p> <p>2002 June: The AfDB participated in the first Global Roundtable and as a result, it moved forward on setting up and implementing a Balanced Scorecard system.</p> <p>2002 November: The management presented to its Board the <u>Results Measurement Framework</u> (RM) that measures results at the intermediate and “bottom-line” levels of ADF operations. Three levels of measures were identified to capture country progress and institutional contributions to country progress.</p> <p>2002 December: The Bank established the ‘Development Effectiveness and Results-Based Management’ (DERBM) made up of Managers, Directors or their representatives from each of the Bank’s Vice-Presidencies. The DERBM is mandated to oversee the MfR aspects of HA and MfR in terms of the design, implementation and Bank-wide adoption of policies in these areas.</p>	<p>Leone’s full PRSP.</p> <p>2002 Feb: Follow-up meeting on the DRR held in Freetown, in conjunction with the 2002 UN Consolidated Appeal (CAP), on resources for integration.</p> <p>2002 June: Sierra Leone’s public and publicly guaranteed debt stood at US\$1.19 billion by end 2000. In NPV terms and after assumed use of the traditional debt relief mechanism, the debt was estimated at US\$699 million, equivalent to 110 percent of GDP, or 707 percent of exports of goods and services. The burden was, however, lessened after the approval of the enhanced Highly Indebted Poor Countries Initiative (HIPC) for Sierra Leone in 2002. Through the initiative, Sierra Leone qualified for debt relief of US\$ 600 million (in end-2000 NPV), which is equivalent to 80.2 percent reduction in the country’s outstanding stock of debt at end 2000. The Bank Group contribution to the programme was approved on 12 June 2002 and amount to US\$ 42.81 million in end-2000 NPV terms.</p> <p>September 2002: AfDB 2002 update on the 1999-2001 CSP. The 1999-2001 CSP was updated in order to allow the country to access resources under the ADF-IX Interim Financing Arrangement. The Update aimed at informing the Boards on recent economic and social developments and to assess the status of the implementation of the 1999-2001 Lending Programme.</p> <p>2002-2004: AfDB Country Strategy Paper (UA 34.56m approved in May 2003). The framework for preparing the 2002-2004 Sierra Leone CSP was the Government’s Interim Poverty Reduction Strategy Paper (I-PRSP). The strategy is informed by the prevailing socio-economic situation in Sierra Leone and takes into account the decisive measures being implemented to: (i) fully restore peace and to re-establish confidence in the rule of law; (ii) revive the war-ravaged economy, fight the pervasive poverty and (ii) rehabilitate the destroyed, economic, social and physical infrastructure. The base case allocation was to fund the following projects: (i) Education III Rehabilitation Project; (ii) Social Action Support</p>	<p>2002 January: War declared over. UN mission says disarmament of 45,000 fighters is complete. Government, UN agree to set up war crimes court.</p> <p>2002 May: Kabbah wins a landslide victory in elections. His Sierra Leone People’s Party secures a majority in parliament. Sierra Leone People’s Party wins 83 out of 112 seats, All People’s Congress wins 27 seats and Peace and Liberation Party wins 2 seats. The elections, widely perceived as free and fair, marked a significant milestone in advancing participatory democracy and in consolidating the peace process.</p> <p>2002 July: British troops leave Sierra Leone after their two-year mission to help end the civil war.</p> <p>October 2002: Launch of the National Recovery Strategy (NRS) on the basis of detailed district assessments and local recovery plans. The NRS focused on: (i) the consolidation of state authority and peace-building; (ii) promotion of reconciliation and enforcement of human rights; (iii) facilitating resettlement and reintegration and rebuilding communities; (iv) facilitating access to previously inaccessible areas and expediting service delivery; and (v) stimulating economic recovery.</p>

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		<p>Programme that focus on the use of labor-intensive techniques for reconstructing the destroyed community infrastructure; (iii) the multi-sector capacity building project; and (iv) The Lungi-Freetown road link study. In addition, Sierra Leone could benefit from a policy-based operation, which would have resources equivalent to 50 percent of the baseline allocation or UA 17.28 million.</p> <p>2002: Approval of Education III Support to Basic and non-formal education Project (Social, UA 16m).</p>	
<p>2003</p>	<p>2003: the ADF Results Measurement Framework (RMF) is presented to the Board, after being prepared with the World Bank's IDA Measurement System.</p> <p>By 2003, CSPs incorporated identified areas of reforms, which would be the focus of the Bank intervention justifying PBLs.</p> <p>2003: The civil war in Cote d'Ivoire leads to the Bank relocation to Tunis.</p>	<p>2003 December: Approval of the <u>PBL</u> Second Economic Rehabilitation and Recovery Loan (ERRL-II) (Multi-sector, UA 10m). It was parallel financed with the World Bank, the IMF, the DFID and the European Union. This was a balance of payments support loan. The loan would provide relief to the weak balance of payments situation, forecasted for 2003-2005, and contribute to the importation of essential commodities and intermediate inputs required for reviving the economy.</p> <p>2003: Approval of NERICA Dissemination Project (Agriculture, UA 2.85m).</p> <p>2003: Approval of Social Action Support Project (SASP) (Social, UA 12m).</p>	<p>2003 February: Status report of preparatory activities for a full PRSP.</p> <p>2003 July: Rebel leader Foday Sankoh dies of natural causes while waiting to be tried for war crimes.</p> <p>2003 August: President Kabbah tells truth and reconciliation commission that he had no say over operations of pro-government militias during war.</p>
<p>2004</p>	<p>2004 April: The board approved the '<u>Guidelines on Development Budget Support Lending (DBSL)</u>'. These are the guidelines for AfDB involvement in budgetary support operations. In line with the international agenda on aid effectiveness, DBSL aims to facilitate alignment and harmonisation and predictability of source flows.</p> <p>2004: The board approved the '<u>Revised Guidelines for Bank Group Operations Using Sector-Wide Approaches (SWAps)</u>'. These are guidelines on how to engage in the provision of assistance to qualifying RMCs in alignment with sister institutions.</p> <p>2004: The Board approved the creation of a <u>Post-Conflict Country Facility (PCCF)</u> to provide support for clearing the arrears of countries emerging from conflict.</p>	<p>2004 June: AfDB's Update of the 2002-2004 CSP. The country's performance under the 2002-2004 CSP has been commendable. As at June 2004, Sierra Leone had utilised UA46.54 million or 90 percent of its ADF-IX basic allocation to finance projects and the policy based operations. There has been no change in the strategy or sectors of intervention adopted in the CSP. The country's performance under the Bank Group's Post-Conflict Assessment Indicators is also commendable. By February 2005 or nearly two years after its approval, the Bank had appraised and approved the following mutually supportive projects with a commitment capacity of UA 62.46 million: i) Second Economic Rehabilitation and Recovery Loan (ERRL-II), UA17.28 million; ii) Third Education Rehabilitation Project, UA 16.0 million; iii) Social Action Support Project, UA 12 million; iv) Institutional Support to Strengthen Public</p>	<p>2004 February: Disarmament and rehabilitation of more than 70,000 civil war combatants officially completed.</p> <p>2004 March: UN-backed war crimes tribunal opens courthouse to try senior militia leaders from both sides of civil war.</p> <p>2004 May: First local elections in more than three decades.</p> <p>2004 June: War crimes trials begin.</p> <p>2004 September: UN hands control of security in capital over to local forces.</p>

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	<p>2004: The Bank approved the guidelines for the Policy Based Lending on Governance (PBLG) these aimed to complement other policy based lending instruments. The guidelines emphasise the relevance of improving public sector accountability, increasing citizen and investor participation and public sector transparency and reducing corruption and reforming laws and judicial systems.</p>	<p>Expenditure Management and the Energy Sector, UA 2.79 million; the Lungi-Freetown road link study, UA 1.5 million; and the Water Supply and Sanitation study; UA 1.2 million.</p> <p>2004: Approval of Water Supply & Sanitation Study (Water, UA 0.85m).</p> <p>2004: Approval of Inst. Support Public Financial Management & Energy Sector Pro. (Multi-sector, UA 2.8m).</p>	
<p>2005</p>	<p>2005: The AfDB participated in the Paris Declaration meetings and signed up to the Paris Declaration on aid effectiveness.</p> <p>2005 May: The 'ADF-X Financing Policy Guidelines' were published these govern all project loans and grants; policy based lending operations; technical assistance operations; additional resources and any other activities of the Fund during the period 2005-2007. Among the guiding principles for the ADF-X operations, the document highlights its efforts towards the principles of the Paris Declaration and its progressive involvement in Sector Wide approaches and Development Budget Support.</p> <p>2005 October: The Bank's President launched a Task Force on Institutional reforms (TFIR) to examine how the Bank could best play an expanded role in the development of the African continent.</p> <p>2005 December: The ADF Results Measurement Framework Paper – this paper implies that progress achieved towards meeting the PRS priorities and MDGs will increasingly be attributed to collective HA/JAS process.</p>	<p>2005: Approval of the <u>PBL</u> Third Economic Rehabilitation and Recovery Loan (ERRL-III) (Multi-sector, UA 10.7m). The ERRP-III is the third in a series of policy-based operations that the Bank has extended to Sierra Leone since the restoration of peace in 2000, as a quick disbursing balance of payments support operation. The main objective of the operation is to support the ongoing initiatives of the Government that focus on improving the economic governance situation in Sierra Leone, building on reform efforts in this area initiated under the previous two policy-based operations. As such it will target improving transparency and accountability in two main areas of economic governance: (i) improving public financial management, and (ii) improving and strengthening decentralisation and local government reform. At the same time, it will provide relief to the expected weak balance of payments situation, for 2005-2007, and contribute to the importation of essential commodities and intermediate inputs required for reviving the economy, including private sector activities.</p> <p>2005-2009: AfDB Country Strategy Paper (UA 29.69m, approved in July 2005, and also an Addendum with updated information also in July 2005, partly from ADF X and ADF XI). The thrust of the Bank Group's medium-term strategy, 2005-2009, is to assist Sierra Leone's transition from a nation focused primarily on post-conflict emergency needs to a nation poised for long-run growth. On the basis of extensive discussions held with the Government in March and June 2005 pertaining to the priority areas for Bank Group support, and taking into account the envisaged interventions by</p>	<p>2005 February: First Poverty Reduction Strategy Paper (2005-2007). The two major challenges identified were promoting food security and job creation through (i) achieving high and sustained broad-based economic growth particularly in rural areas where agricultural development and increased food production are central; (ii) providing essential and economic services and infrastructure to the poor; and (iii) improving governance.</p> <p>2005 August: UN Security Council authorises opening of a UN assistance mission in Sierra Leone from 2006, to follow departure of peacekeepers in December.</p> <p>2005 November: Consultative Group meeting in London. The purpose of the meeting was to deepen the partnership between the Government of Sierra Leone and its Development Partners around the SL-PRSP, focusing on monitorable results and improving aid modalities. The outcome of the CG was very successful particularly as development partners pledged to provide an estimated US \$864 million to support the implementation of programmes articulated in the Activity Matrix and Medium Term Expenditure Framework (MTEF) for the period 2005-2007. This figure does not include the expected debt relief from the Highly Indebted Poor Countries (HIPC) and the multilateral debt relief initiatives (MDRI).</p> <p>2005 December: The last UN peacekeeping troops leave Sierra Leone, marking the end of a five-year mission to restore order.</p>

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		<p>other donors in Sierra Leone, the Bank Group's strategy will support the Government's reform agenda on the basis of a selected approach that entails the following two pillars: Pillar I, Promoting Economic Growth by Improving Governance; and Pillar II, Promoting Human Development. The initial allocation for Sierra Leone under ADF X amounted to UA 29.69 million for 2007 and distributed between Pillar 1 and Pillar 2; and used to finance the economic Rehabilitation and recovery loan (UA 10.7 million), Support to District Health Services (UA 17 million) and Matutoka-Sefadou Roads Studies (UA 1.99 million).</p> <p>2005: Approval of Agriculture Sector Rehabilitation Project (Agriculture, UA 12m).</p> <p>2005: Approval of Strengthening of District Health Services (Social, UA 17m).</p>	
<p>2006</p>	<p>2006 April: 'The revised Bank Group Action Plan on <u>harmonisation, alignment, and managing for results</u>' – This paper summarises ongoing Bank activities to promote HA and MfR agenda and sets the Bank's future plans for deepening its work in this area.</p> <p>2006: The Bank published '<u>Bank Group use of DBSL and SWAps: Issues and Challenges</u>'. This paper reviews the Bank Groups experience and the challenges faced in the use of these instruments it makes three recommendations for the way forward:</p> <ol style="list-style-type: none"> i. Amendment of the procurement provision in Article 15(4)(a) of the Agreement Establishing the ADF to permit effective Fund's involvement in SWAps. This should be on the agenda of the Deputies during the Mid-term Review of the ADF-X ii. Enhance the Bank's Field Presence to involve effectively in BSOs and SWAps – this requires reviewing staffing levels and mix iii. Provide increased support to PFM capacity building in RMCs to strengthen the country's fiduciary system in parallel to moving to 'untied' aid assistance. 	<p>2006: Approval of Mototoka to Sefadu Road Studies and Inst (Transport, UA 2m).</p> <p>2006 December: Establishment of Sierra Leone Field Office (SLFO)</p>	<p>2006 March: Liberian ex-president Charles Taylor is arrested in Nigeria and handed over to the war crimes court in Sierra Leone which indicted him.</p> <p>2006 September: PRSP Annual Progress Report. This report describes the progress made in implementing the Poverty Reduction Strategy Paper (PRSP) for Sierra Leone covering the period June 2005 to May 2006. Three sets of issues were identified as underlying the difficulties being experienced. These are:</p> <ul style="list-style-type: none"> • Capacity for policy formulation and service delivery, as well as for higher levels of performance in the private sector and among civil society • Issues surrounding aid modalities, predictability and timeliness of aid inflows, harmonisation etc. • Measures required to enhancing private sector performance and promoting its expansion. <p>2006 December: President Kabbah says 90% of the country's \$1.6bn (£815m) debt has been written off after negotiations with international creditors.</p>

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	<p>2006: Organisational Reforms - In April 2006, the Boards of Directors approved a proposal to strengthen the Bank Group's organisational structure under the title '<u>Enhancing the effectiveness of the bank</u>'. The reforms included changes in the organisational structure centered on the Operations Complexes and the Office of the Chief Economist, with the overarching goal of enhancing development effectiveness and delivering better results for RMCs.</p>		
<p>2007</p>			<p>2007 June: Start of former Liberian president Charles Taylor's war crimes trial in The Hague, where he stands accused of instigating atrocities in Sierra Leone.</p> <p>Sierra Leone's special war crimes court in Freetown delivers its first verdicts, finding three militia leaders guilty.</p> <p>2007 August: Presidential and parliamentary polls. Ernest Bai Koroma wins the presidency and his All People's Congress, formerly in opposition, wins a majority in parliament. APC wins 59 out of 112 seats, Sierra Leone's People's Party 43 seats and People's Movement for Democratic Change wins 10 seats</p>
<p>2008</p>	<p>2008: Organisational reforms – The Bank embarked on a new phase of institutional reform to consolidate its role as Africa's premier development finance institution presented to the board in April 2008 as the '<u>Governance Strategic Directions and Action Plan GAP 2008-2012</u>'. The strategic directions and Action Plan provide a rationale for greater strategic selectivity and focus in the Bank's governance work.</p> <p>2008 January: <u>ADF-11 Deputies Report</u> – the report states that at least 75% of funds will be allocated for specific investment projects and programs and technical assistance and no more than 25% via PBL operations</p> <p>2008 March: approval of the Bank Group's Strategy for the Enhanced Engagement in Fragile States. This was followed in July by the approval of the</p>	<p>2008 December: Mid-Term Review (MTR) of the 2005-2009 CSP. In 2008 with the new government changing priorities as well as the country's consideration by the Bank for eligibility to access resources from the Fragile States Facility (FSF), the Bank Group reformulated the first pillar of the CSP to: (i) Pro-Poor Growth with emphasis on infrastructure and Governance while the second pillar remained unchanged.</p> <p>July 2008: The Bank Group in 2008 approved a supplemental loan of UA 10.3 million to complete and operationalise Bumbuna Hydroelectric Project (BHEP). The project was inaugurated on 6 November 2009.</p> <p>2008: Approval of Bumbuna Hydro-Electric Project – Add. Financing (Power, UA 10.3m).</p>	<p>2008 January: Former Liberian president Charles Taylor's war crimes trial in The Hague resumes after a six-month delay.</p> <p>2008 July: PRSP Progress Report. This report describes the progress made in implementing the Poverty Reduction Strategy Paper (PRSP) for Sierra Leone covering the period 2005 - 2007. Some of the key findings were the following:</p> <ul style="list-style-type: none"> • Although the PRSP reiterated the need for a speedy and sustainable Public Service Reform, reform measures in the Civil Service were not implemented. Consequently, the Government is still faced with paucity of required capacity in the all MDAs. • PFM has improved significantly over the years as the MTEF budget process has been strengthened, but needs further improvement. • Efforts to promote private sector development

Time period	AfDB HQ Policy Changes	AfDB Sierra Leone lending instruments	Sierra Leone Country Context
	<p><u>Operational Guidelines of the Fragile States Facility (FSF)</u>. FSF operations can be implemented using the Bank's quick disbursing instruments combating issues of slow disbursement. The AfDB strategy on fragile states recommended the transfer of arrears clearance activities of the PCCF to the FSF.</p> <p>2008 May: Paper on '<u>Bank Group approach towards enhancing the use of country systems</u>' prepared, and approved by the Board in July.</p> <p>2008: PBL type instruments were used as a fast-disbursing response to the African food crisis. '<u>The African food crisis response</u>' (AFCR) was developed in July 2008 and forms a framework for AfDB accelerated support to RMCs affected by increased food prices, with short (periods of 6 months to a year) and medium to long term measures (over 3 years and beyond) to the value of UA 472 million and UA 1.4 billion respectively. One of the short-term measures is the use of a budget support instrument for quick disbursement of resources to RMCs (UA 304 million).</p>		<p>needs to be strengthened through the provision of the requisite infrastructure.</p> <ul style="list-style-type: none"> • Access to safe drinking water and health facilities need to be improved upon within an integrated framework. • In the area of education, focus should also be on quality. <p>2008 August: Local elections are marred by violence between the supporters of the two main parties</p>
<p>2009</p>	<p>In 2009 PBL type instruments were used to respond to the financial crisis in 2009. In March 2009, the Bank developed the '<u>Bank Response to the Economic Impact of the Financial Crisis</u>'.</p>	<p>2009 April: Approval of <u>PBL Economic Governance Reform Programme I</u> (Multi-sector, UA 10m). The goal of the Economic Governance Reform Programme (EGRP) I is to improve economic governance through greater efficiency, transparency, and accountability in the use of public resources as laid out in the country's Poverty Reduction Strategy (PRS) II and Integrated Public Financial Management Reform Programme (IPFMRP). The EGRP I specifically supports the three pillars of the government's IPFMRP, which are core public financial management (PFM) reforms, revenue administration, and enhanced external audits.</p> <p>2009 July: Mission for the completion of the 2005-2009 CSP.</p> <p>2009 December: 2005-2009 CSP Completion Report. The report noted that "Overall, there has been some progress in meeting the targets and benchmarks of the CSP. Nevertheless, there is a long way to go and dialogue and assistance will need to continue in the context of the next strategy. (...) The Bank should</p>	<p>2009 April: Three former senior leaders of rebel Revolutionary United Front (RUF) sentenced to long jail terms for civil war atrocities.</p> <p>2009 June: The Government of Sierra Leone launched the country's second-generation PRSP under the name, Agenda for Change. PRSP-II spells out the vision, direction, and development priorities of the government. Since then, The World Bank, African Development Bank (AfDB), and International Finance Corporation (IFC) have been working on a Joint Assistance Strategy (JAS) to support the new PRSP. The preparations started in January, well in advance of the completion of the PRSP, and included several rounds of consultations and feedback. They were concluded in September 2009.</p> <p>2009 October: UN-backed Special Court winds down after seven years investigating civil war atrocities. Its remaining case, trial of Charles Taylor, continues in The Hague.</p>

Time period	AfDB HQ Policy Changes	AfDB Sierra Leone lending instruments	Sierra Leone Country Context
		<p>prepare strategies that have more focused pillars and that take into account the operational systemic constraints in the country.”</p> <p>2009 December: Country Portfolio Performance Report. The review provides a snapshot of the portfolio as at 1st October 2009. There were eleven on-going projects in the current portfolio at different stages of implementation with a total approved amount of UA 95.78 million. The Social Sector accounts for UA 45.0m (47%), Agriculture UA 24.85m (26%), Infrastructure UA 13.14m (14%) and Multi-sector UA 12.79m (13%). The average size of projects in the portfolio was UA 8.70m. The introduction of the Fragile State Facility resulted in a significant increase in the total fund allocation to Sierra Leone for the period 2008 to 2010. The report further notes that “The Bank’s project financing has been the traditional lending instrument and is currently the most important, constituting 89.6% of the portfolio. Policy-based lending (Budget Support) is relatively new in the portfolio and constitutes 10.6%. However, with the change in Bank’s policy under the FSF the growth in policy-based lending is likely to continue in the near future.”</p> <p>2009-2012: AfDB and World Bank Joint Assistance Strategy (approved in December 2009). The proposed Joint Assistance Strategy (JAS) conceptualises Bank Group and World Bank Group support to Sierra Leone during the three-year period of July 2009 to June 2012. It also requests renewal of Sierra Leone’s access to financing under the Fragile States Facility (FSF). Bank Group assistance to Sierra Leone under the JAS will be provided from part of ADF-11 (2008-2010), and all of ADF-12 (2011-2013), and the FSF resources.</p>	<p>2009: Two important Acts are passed: The new Mining Act and the Payments Systems Act.</p>

Annex C List of people met/interviewed

Organisation	Name	Position
<i>Donors</i>		
AfDB SLFO	Dr Samuel Ofori Onwona	Resident Representative
AfDB SLFO	Sheikh Sesay	Macroeconomist
AfDB SLFO	Cecil Nartey	Principal Country Programme Officer
AfDB Fragile States Unit	Margaret Kilo	Head
AfDB OSGE 1	Kalayu Gebre-Selassie	Senior Governance Expert
World Bank	Cyrus P. Talati	Senior Economist
World Bank	Yusuf Foday	Economic Advisor
IMF	Mathew Sandy	Economist
European Union – Delegation of the European Commission to Sierra Leone	Gerald Audaz	Head of Economic, Trade and Regional Cooperation Section
DFID	Dominic O'Neill	Head of Office – Sierra Leone and Liberia
<i>Civil Society</i>		
Budget Advocacy Network	Patrick Zombo	Coordinator
Budget Advocacy Network	Ambrose James	Chairman
<i>Government of Sierra Leone</i>		
Office of the President	Dr Kaifala Marah	Chief of Staff
Bank of Sierra Leone	Sheku S. Sesay	Governor & Chairman, Board of Directors
Ministry of Finance & Economic Development	Edmund Koroma	Financial Secretary
Ministry of Finance & Economic Development	Umaru N. Wurie	Development Secretary & Ambassador at Large
Ministry of Finance & Economic Development	Mathew Dingie	Director of Budget Bureau
Ministry of Finance & Economic Development	Alimamy Bangura	Economic Policy and Research Unit
Ministry of Finance & Economic Development	Sheka Bangura	Development Assistance Coordination Office
Anti-Corruption Commission	Nabillahi Musa Kamara	Head, Systems and Policy Review Unit
Parliament of Sierra Leone	Hon. Victor Chukuma Johnson	Chair, Public Accounts Committee
Parliament of Sierra Leone	Hon. Elizabeth Alpha Lavalie	Member, Public Accounts Committee
Parliament of Sierra Leone	Hon. Dr Simbo	Member, Public Accounts Committee
Western Area Rural District Council (Waterloo)	Mr. Alhaji Bangura	Chief Administrator

Western Area Rural District Council (Waterloo)	Mr. Abdul Abioseh Sesay	Planning and Development Officer
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Annex D Key Data on PBOs

Table D.1 Total ADF Approvals Sierra Leone: 1999–2008 (UA million)

SIERRA LEONE	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Project Lending	8	0	10	15	10	0	10	0	0	10.3	0
<i>% Project lending</i>	87%	0%	48%	16%	33%	0%	25%	0%	0%	100%	0%
Policy based lending	0	0	10	0	17.28	0	0	0	0	0	0
<i>% Policy based lending</i>	0%	0%	48%	0%	57%	0%	0%	0%	0%	0%	0%
Grants	1.21	0	0.96	1	3.26	3.64	29.7	1.99	0	0	30.26
<i>% Grants</i>	13%	0%	5%	1%	11%	100%	75%	100%	0%	0%	100%
Technical Assistance	0	0	0	0	0	0	0	0	0	0	0
<i>% Technical Assistance</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Debt & debt service reduction	0	0	0	76.41	0	0	0	0	60.16	0	0
<i>% Debt Service</i>	0%	0%	0%	83%	0%	0%	0%	0%	100%	0%	0%
Total Approvals	9.21	0	20.96	92.41	30.54	3.64	39.7	1.99	60.16	10.3	30.26

* Includes two loans and two grants. ERRP III had an approval of UA 20 million but this was subsequently reduced to UA 10.7 million because of a reduction in Sierra Leone's ADF allocation.

Source: AfDB (2010 and 2009) Compendium of Statistics

Table D.2 Comparison of the Performance of ERRP I-III and EGRP

	ERRP I	ERRP II	ERRP III	EGRP
Performance				
Year of Approval	2001	2003	2005	2008
Conditions: Number	7	11	13	7
Tranches: Number	2	2	2	2
Sectors: Number (consistency with previous operation)				
Harmonisation: Number of donors with similar conditions	2	2	3	1
Predictability: Delays overall programme	7 months	0	9 months	
Predictability: % of funds not disbursed in programmes fiscal year	0%	50%	55%	
In-year Predictability: Delay in fund disbursement from planned timing	6 months	2 months	8 months	
Overall				
Ranking: PCR rating	3.09	2.5	2.8	
Amount: UA million	10.7	17.28	20	10
Volume: % of ADF allocation	51%	57%	50%	97%
CPIA/CPA: average score			3.03	3.45

Table D.3 Commitments and Disbursements for the ERRP I-III

Disbursement Date	Actual Disbursement Date	Amount Committed (million UA)	Amount Disbursed (million UA)
December 2001	28 December 2001	5.0	5.0
May 2002	3 September 2002	3.0	3.0
February 2004	27 April 2004	10.0	10.0
July 2005	12 July 2005	7.28	7.28
October 2005	January 2006	20.0 (total in two disbursements)	10.7 (total over two disbursements)*
August 2006	December 2006		

**This was cut due to conform with ADF-X's resource allocation for the country.
Source: AfDB, PCRs and AP of programmes*