

Sierra Leone

Joint Annual Report Update 2010

Overview of past and on-going cooperation

1. Reporting on financial performance of EDF resources

In 2010 the level of new individual commitments (with addenda) reached EUR 45.967.453 of which EUR 32.021.521 from EDF and EUR 13.945.932 from thematic programmes funded under the EU budget. The level of payments reached EUR 66.435.194 of which EUR 58.468.636 from the EDF and EUR 7.966.559 from thematic programs under the budget.

The major payments in 2010 were related to budget support (EUR 23.333.333); the DFID delegation agreement to support civil society (ENCISS – EUR 5.300.000) ; World Bank - decentralised capacity building program (EUR 1.820.000) and the construction companies CSE (EUR 9.312.312) and Salini (EUR 8.231.950).

In April 2010, the External Results Oriented Monitoring team assessed 12 projects. Findings were shared with all stakeholders.

Financing agreements for the Sierra Leone AAP 2010 were signed in November 2010 totalling an amount of EUR 62.5 Mio. (Election support, decentralisation, roads and agriculture besides the V-Flex)

Performance levels in Sierra Leone are still hampered by the low capacity levels at the line Ministries for coordinating the execution of projects. This results in delays for project implementation and for closures of contracts. The NAO support project is now in place, but significant improvements are still to be realised.

2. Reporting on General/Sector Budget Support

Country compliance with the general eligibility criteria for GBS/ SBS

While 2007 has been a difficult year in terms of the macro-economic situation, the situation has greatly improved in the subsequent years up to 2010. The Government successfully completed the fourth (June 2009), fifth (December 2009) and sixth (June 2010) IMF review under the second Poverty Reduction and Growth facility, and the first review (December 2010) under the IMF Extended Credit Facility (ECF). In the midst of the food and oil crises in 2008/2009 and the global economic downturn in 2009/2010, the Government was able to broadly maintain a stable macro-economic framework - achieved partly thanks to increased donor support (disbursement of the V-FLEX 2010 - €10 million - in December 2010) - and to undertake a number of important fiscal reforms. The Government's fiscal situation and macro-economic variables however started to deteriorate in the second half of 2010 due to large overspending in public infrastructures. The Government is currently trying to remedy the situation under the supervision of the IMF. In addition to the VFLEX, the EU also disbursed a total amount of €11.3 million in the context of its General Budget Support programme.

During the years 2008-2009, the Government of Sierra Leone developed a comprehensive Integrated Public Financial Management Reform Programme (IPFMRP) which covers all

relevant areas of PFM (excluding the administration of revenue collection addressed in a separate programme). The IPFMRP was developed in consultation with the donor partners and is supported by the four main budget support donors in Sierra Leone: DFID, the EU, World Bank and the African Development Bank. The IPFMRP was officially launched in November 2009 and addresses all relevant weaknesses in the PFM system in Sierra Leone. Implementation of the IPFMRP in 2010 was broadly off-track except for two components which encountered delays.

In 2010 a repeat PEFA assessment was carried out which reflects the **broadly positive trajectory of reforms in the area of PFM**. The PEFA assessment highlighted progress made in the following areas: Comprehensiveness of information included in budget documentation, transparency of inter-governmental fiscal relations, oversight of aggregate fiscal risk from other public entities, multi-year perspective in fiscal planning, expenditure policy and budgeting, effectiveness of measures for taxpayer registration and tax assessment, competition, value for money and controls in procurement, timeliness and regularity of accounts reconciliation, quality and timeliness of in-year budget reports, quality and timeliness of annual financial statements, and scope, nature and follow-up of external audits.

It also highlighted deterioration in performance in three main areas: aggregate revenue outturn compared to original approved budget, thus reflecting the MDDBS partners concerns about the perennial poor performance of the Government in mobilising domestic revenues, orderliness and participation in the annual budget process and legislative scrutiny of the annual budget law.

Finally, the PEFA-PFM report highlighted persisting weaknesses in the following areas: Effectiveness in collection of tax payments, effectiveness of payroll controls, effectiveness of internal audits, legislative scrutiny of external audit reports, predictability of budget support.

The PRSP II, the Agenda for Change, continues to be used as an effective framework for Government budgeting and policy-making. The Government strives to report regularly on progress in implementation of the PRSP. However, quality of the reports continues to be weak.

As mentioned in Section 3 continuing reform and capacity building measures provide a basis for a future transition to Sector Budget Support in the Infrastructure sector. With the launch of the NSADP the agriculture sector is also moving in a direction that may allow a Sector Wide Approach (SWAP) to be considered in future. Furthermore the delivery of the draft commitments on Civil Service Reform would go a long way towards establishing the preconditions for the eligibility for this to be supported through SBS as a - non traditional - sector.

Contribution of GBS-linked policy dialogue to general or sector specific targets

In Sierra Leone, budget support donors' (World Bank, EU, DFID, African Development Bank) coordination is organized within the Multi-Donor Budget Support (MDDBS) partnership framework. The MDDBS partnership is the main mechanism to: i) ensure consistent and regular policy dialogue with the Government of Sierra Leone, particularly on macroeconomic management, PFM and fiscal governance issues, ii) ensure coordination among MDDBS partners to improve harmonisation of positions and, to the extent possible, practices and improve aid coordination in line with the Paris Declaration principles, and iii) to carry out a joint annual review of the Performance Assessment Framework (PAF). A new Memorandum of Understanding (MoU) reinforcing the principles of the MDDBS partnership was signed in February 2010 with the Government of Sierra Leone.

GBS-linked dialogue takes place within different fora: 1/ the annual PAF review, 2/ the quarterly budget monitoring working group meetings (between the Ministry of Finance

Directors and the MDDBS economists) and high-level policy meeting (between MDDBS heads of missions and the Minister of Finance), 3/ during the Integrated Public Financial Management Reform Programme oversight committee meetings.

In 2010, the PAF contained indicators related to a number of key sectors: PFM, public sector reform, basic service delivery (health and education), energy. Like in previous years, the PAF has played a key role in encouraging key reforms and improved performance in the field PFM (budget execution, records management, external oversight of the management of public funds, procurement). Government's performance has been disappointing in some PFM areas such as procurement. This has given rise to sustained discussions with the Ministry of Finance and other relevant institutions. PAF indicators related to basic services delivery (education and health) has contributed to highlight a number of deficiencies in service delivery (e.g. delivery of essential drugs to PHUs, delivery of school books to primary and secondary schools, mismanagement of the teachers' payroll, etc.) which were discussed intensively in the context of the budget support dialogue. These discussions are contributing to the Government's overall performance in delivering services to the population and to identify problems which feed in programme formulation of various service delivery support projects (Decentralised Service Delivery Programme, Decentralisation programme, IPFMRP, teachers' payroll cleansing exercise, etc.).

Policy dialogue on budget execution in the course of the year, as well as the PAF indicators on energy have highlighted problems in the management of the energy sector in Sierra Leone (financial sustainability of investments and overall financial management). Discussions around the PAF indicators and during the budget monitoring meetings are believed to contribute to the general improvement in the management of the sector.

Overall, indicators included in the budget support PAF cover a limited number of sectors, some of which however (PFM, basic service delivery, energy) are key to poverty reduction and are aligned with the PRSP II. GBS policy dialogue in this respect contribute to the achievement of the objectives of the PRSP and to poverty reduction but also more specifically to the attainment of a number of sector specific objectives (energy, PFM and civil service reforms).

3. Projects and Programmes in the focal and non-focal areas

a. Contribution of Projects in the focal areas

The two focal areas under the 9th and 10th EDF are good governance and institutional support, and rehabilitation of priority infrastructure.

Good governance and institutional support

Civil Society Capacity Building

The delegation Agreement (EUR 5.3 Mio) with DfID to provide Civil Society Capacity Building was signed on 24 May 2010. A rider to the FA to extend the D+3 and implementation period was processed and signed in time. EUD was part of the evaluation process which selected Christian Aid as implementing partner. The project purpose is to increase the capacity of representative civil society to participate in, influence, contribute to and monitor the Poverty Reduction Strategy and local government policy, planning and implementation, including support to the election process.

Support to Civil Service Reform (EUR 10.5 Million)

Following an extensive consultation process with the Government of Sierra Leone (GoSL), EU Member States and development partners (i.e. UNDP, World Bank and DFID), a re-designed action fiche for a 6-year civil service reform project was drafted. The envisaged project which will become operational in 2011 is characterised by full Government ownership (no PMU) and is in line with Paris Declaration, and the EU policies on effectiveness of aid. The project is based on three components in the areas of capacity building for key public human resource management institutions, training and right-sizing of the civil service.

Civil service reform remains an extremely relevant axis of intervention in Sierra Leone because of the multiplier effect that a more efficient civil service can have to the implementation of the PRSP in the country. The project will therefore also have a positive impact on other EU development programmes.

Support to NAO

The 10th EDF "Support to an improved NAO Office within the Ministry of Finance and Economic Development" was designed to increase the relevance and impact of EC development cooperation on poverty reduction in Sierra Leone. Signed in November 2007, actual implementation commenced in 2010.

Additional domestic professional staff were recruited. Additional office space was provided by renting of two floors next to the building currently utilised by the NAO office. A short-term TA had conducted training for staff from the NAO and other MDAs. Some NAO staff were on an external training course. A computerised documentation and mail filing system has been introduced and staff trained in their use. A management information software package was procured and re-installed. Monitoring by NAO staff to EDF projects was facilitated. The capacity of the NAO to participate on strategic issues such as programming, coordination, reviews and dialogues had been enhanced. Thus, the NAO had provided assistance to MDAs implementing EDF projects for the first time including the Sierra Leone Environmental Protection Agency (SLEPA), the Sierra Leone Investment and Export Promotion Agency, the Freetown City Council, the National Power Authority and the National Revenue Authority.

Some of the outstanding issues include provision of technical assistance and the construction of a new NAO building at the original Tower Hill site of the NAO office.

Decentralised Capacity Building

The Delegation actively participated, together with DFID, to the joint 6-monthly Monitoring Mission of the World Bank team to the IRCBP Decentralisation project. On the request of the World Bank, the EUD granted a no-cost extension to the Administrative Agreement of the IRCBP contract.

Decentralised Service Delivery Project

The Financing Agreement for the EUD Decentralised Service Delivery Programme (DSDP) was approved by the end of 2010 and the Administrative Agreement with the World Bank for the World Bank managed Trust Fund is being prepared.

Ministry of Trade/EPA

After more than three decades of preferential trade treatment, the EU is assisting African-Caribbean-Pacific (ACP) Countries including Sierra Leone to embrace the World Trade

Organisation compatible trade regime by signing Economic Partnership Agreements (EPAs) with ACP Countries.

In 2010, the Financing Agreement between the Government of Sierra Leone and the European Union for TA for EPA Negotiation and implementation and Trade Related TA Support Programme in the Ministry of Trade and Industry was amended to facilitate the restructuring of the Ministry, to establish a more coherent policy framework and to design a 10th EDF Trade related assistance follow-up project.

Accordingly, professional domestic staff have been recruited and will be trained to acquire the required know-how and skills to participate in EPA and WTO negotiations; IT infrastructure, archiving system, information management processes have been improved; regional offices of the Ministry are being constructed; and consumer protection and competition laws and policies are being enacted.

Infrastructure

The EC programme has remained the largest in the roads sector, focussing on emergency needs to rehabilitate damaged infrastructure, laying the groundwork for the sustainability of the maintenance system and institutional strengthening. The EU is funding technical cooperation to the Sierra Leone Roads Authority (SLRA) for the institutionalisation of road maintenance management, systematisation of procurement procedures and contract management, installation of a financial management system, capacity building and staff training.

Although, in common with the rest of the public sector, the infrastructure sector faces severe constraints, the sector is relatively well advanced towards eventual transition to a sector budget support mode of programme implementation. The conditions necessary for sector BS are emerging. These include:

- institutional leadership in the sector through the Sierra Leone Roads Authority (SLRA), although role definition and institutional hierarchy between the SLRA, the Ministry of Works and Local Councils remains to be clarified
- a medium term policy (the SLRA Strategy and Investment Plan) and the planning framework for interventions of principal donors (EC, World Bank, African Development Bank¹) coordinated around this medium term strategy
- an identifiable resource envelope amenable to medium term financial planning.

The special conditions and accompanying measures stipulated in various EC financing agreements impel the government to continue working on the definition and implementation of a sector policy and to complete the reforms in order to increase the efficiency and sustainability of the sector. The estimated cost of a proposed plan by the Government to rehabilitate and reconstruct 1,700km of Class A and Class B roads in the coming years is USD 531m. Priority is given to measures of institutional support to overcome critical bottlenecks (the poor capacity at national and local levels to manage road contracts). A continuum of EDF 9 and EDF 10 institutional support projects have sought to build the capacity of SLRA in the following areas: (i) Road management monitoring system (RMMS), (ii) Financial management and accounting procedures including building capacity to formulate a Medium Term Expenditure framework for the Road Sector (iii) The redefinition of roads sector policy for the future national transport strategy and (iv) Strengthening government-led donor coordination to harmonise systems for reporting, budgeting, financial management and procurement.

Progress, and constraints, on specific projects in the infrastructure sector is described in the EAMR report. The major EDF funded interventions are: Roads Infrastructure

¹ the Kuwait Fund, OPEC fund, Saudi Fund and Islamic Development Bank are also present in the sector

Programme/Institutional Support to SL Roads Authority (9th/10th EDF), Priority Infrastructure Works (10th EDF) and Freetown Development Programme (10th EDF).

10th EDF - Priority Infrastructure Works

The Financial Agreement was signed in November for 23.5 MEUR. The project will consist of two components: priority protective road works and urban infrastructure rehabilitation.

Energy

The Bumbuna hydroelectric plant phase I is complete and delivering 50 MW of power to Freetown. The challenges currently facing the energy sector are: (i) the majority of the population don't have access to reliable electricity; (ii) limited capacity at NPA to implement and coordinate programmes; and (iii) roles of institutions are unclear. The 10th EDF allocation of 12 M€ to support the energy sector was originally planned for a Trust Fund together with DFID and WB. However, the appraisals made in 2009 revealed that the present status of the sector did not encourage the setting up of Trust Fund. A contract for feasibility study and supervision of the supply and installation of the project 'Restoration of electricity in 2 Provincial towns' has been signed and a kickoff meeting is in the coming days.

b. The Contribution of Projects in the non-focal areas

Agriculture

The Agenda for Change (PRSP II) stipulates agriculture as the 1st priority of the GoSL for the coming years and calls it to be the engine for economic growth and employment creation in the country. With the renewed focus on Agriculture and Rural Development on the international agenda and significant increases of finances due to the global food price increase since 2008, the EU has continued to work towards its specific objective to facilitate pro-poor economic growth, job creation and sustainable development in rural areas by means of agricultural development.

Based on the experiences made under the 9th EDF "Use of Stabex Transfer Programme (USTP)", which came to an end in December 2009, the EUR 16.0 million Agriculture-for-Development (A4D) programme (signed late 2010) will assist the GoSL in the creation of an institutional framework, thus enabling the development of the agriculture sector. It puts the emphasis on provision of effective decentralized agricultural extension services and aims at establishing a framework for participatory decentralised planning, resource allocation, monitoring and the better management of the agriculture sector.

After the successful completion of the 9th EDF Link Relief, Rehabilitation and Development (LRRD) programme and other smaller food security projects, the EC changed its focus by giving current and future interventions – e.g. under the Food Security Thematic Programme (FSTP) and/or the EU Food Facility – a clear orientation towards the principles of sustainable development. In this context, it should be further underlined that the Delegation succeeded in linking its Agriculture and Food Security projects with EU funded interventions in the field Environment and Natural Resources Management.

Fisheries

Even though the fishery sector was not officially named as a non-focal area under the NIP of the 10th EDF programme, the sector has continued to play an important role. The objectives of the 9th EDF Institutional Support for Fisheries Management (ISFM) project have given a good basis for starting negotiations on an EU – Sierra Leone Fisheries Partnership

Agreement (FPA), which the GoSL has been eager to start since several years. Furthermore, the GoSL has repeatedly expressed its intention to remove all domestic obstacles which currently still prevent the export of Sierra Leone's fishery products to the EU. Tangible results, however, are still not forthcoming. Similarly, the GoSL has been advised on IUU requirements and EU assistance has been offered. Still though, the EU is awaiting the GoSL's reply.

Environmental Governance and mainstreaming

The current GoSL has taken matters pertaining to environmental governance and mainstreaming seriously at political level. Over the past years, this has been discussed more intensively both by and with the government but also increasingly with civil society in Sierra Leone.

Three EC budget funded projects, namely the Conservation of Western Area Forest Reserve and its Watersheds project; the Gola Forest project; and the Across the River – A Transboundary Peace Park for Sierra Leone and Liberia project, are all dealing very closely with Environmental Governance issues on national and decentralized levels. All three projects have provisions for engaging in the identification of sustainable financing mechanisms, such as carbon trading schemes, a challenge and commitment to be made by present and future generations for the fight against Climate Change.

The 9th EDF programme in support to the Sierra Leone Environmental Protection Agency (SLEPA) continues to build on the lessons learned from ongoing projects. EC's assistance to environmental governance is being highly appreciated by the GoSL and CSOs, who realize that there is an urgent need for giving a stronger focus to the environmental sector, particularly to fight and mitigate the effects of global warming, while safeguarding environmental goods and services for present and future generations. As mentioned in Section 2.5 Sierra Leone has a long way to go to establish effective structures and processes for sustainable environmental management. Furthermore, a subsequent support to SLEPA project has been designed in 2010 and will built on the SLEPA 1 project sometime in 2011.

Last but not least, EUR 5.0 million were granted to Sierra Leone under the GCCA facility in 2010. A project on REDD+ and also alternative energy sources will be designed and launched in 2011.

c. Support to Non State Actors

In 2010, 18 contracts were signed with NSAs and LAs for the considerable amount of approximately EUR 12.3 Million on budget funded calls for proposals. (See list attached)

NSAs and LAs have still an important role in the context of poverty reduction initiatives, aid delivery and participatory governance. In addition and as mentioned in section 3 a, specific EDF support provided through a delegation agreement with DfID aims to strengthen civil society organisations, notably in the context of the 2012 electoral cycle. LAs undertake aid coordination at decentralized level and there is improved interaction between NSAs and LAs. A coordination process to increase mutual exchanges amongst EC supported NSA and LA active in the health sector was initiated on 14 October 2010 during a joint NSA/LA/EUD coordination meeting. This process aims to enhance aid effectiveness of EU support to SL - particularly in regard to NSA and LA managed contracts - through a better alignment with national priorities (eg Free Health Care initiative and the GoSL Agenda for Change), and increased ownership, transparency, co-ordination and harmonisation. It is a prerequisite for all international NGOs to work with and also build the capacity of local partner NGOs. Furthermore, the EC makes sure that the implementing partners establish close linkages to local authorities, namely the District Councils, to support the decentralization process.

The EC supported and regularly participates in the monthly Livelihood and Food Security Coordination Forum meetings. In the meantime, the sector networking platform has evolved into a sector coordination mechanism. Water Supply and Sanitation Co-ordination meetings, at which the EC, (I)INGO partners and the Delegation regularly participate, are organized by the Water Supply Division (WSD) of the Ministry of Energy and Water Resources.

Annex 1:

Mid Term Review Recommendations

Annex 2:

EU Funded Budget Lines projects – List of contracts signed 2010

SIERRA LEONE - THE MTR CONCLUSIONS

1. Executive Summary and Conclusions from the JAR

1.1 The Executive Summary

The EC and DFID share a Joint Country Strategy Paper (JCSP) for Sierra Leone for the period 2008-2013. The JCSP, developed between April 2006 and March 2007¹ through a lengthy and inclusive consultation process, responds to domestic priorities expressed through the Poverty Reduction Strategy Paper 2005-2007 (PRSP1) in the context of the ACP-EU partnership agreement and the EU Strategy for Africa (2005). The National Indicative Programme (NIP) that accompanies the JCSP identifies indicative programmable financial resources of 242m euros in the A-envelope. Two focal areas: Good Governance and Institutional Support (€37m) and Rehabilitation of Priority Infrastructure (€ 95m), together with, non-focal, Agriculture (€12m) and General Budget Support (€90m) account for the bulk of these resources. A further indicative non-programmable amount of €26.4²m is identified in the B-envelope. These amounts, if disbursed, would retain the position of the EC as the largest multi-lateral donor in Sierra Leone.

The response strategy envisages a mix of programme implementation arrangements commensurate with the risks associated with operating in a fragile environment. Proposed methods include bilateral projects and programmes, sector wide approaches and budget support. Transition to sector wide programmes, which are identified as "the missing link" in the programmes of both donors³, is at an early stage in Sierra Leone.

As DFID is by far the largest bilateral donor (\$ 88.11m 2007 disbursement⁴), and given the dependence of Sierra Leone on overseas development assistance⁵, the partnership between the EC, DFID and GoSL expressed through the JCSP represents both an innovative move towards improved aid effectiveness and an enterprise of strategic importance to the achievement of national development objectives. The opportunity to re-validate the relevance of the JCSP strategy, in the light of changing conditions, through the Mid Term Review (MTR) was hence of equivalent importance⁶. There is a need to go beyond the joint strategy, to follow up through further division of labour, firstly with DFID, secondly with EUMS and all other important donors such as WB. Implementation the new GOSL Aid Policy provides a framework for taking a step forwards on aid effectiveness.

The MTR process engaged MDAs, NGOs, Local Authorities, Parliament, the Private Sector, EU Member States and other development partners. The JAR was drafted by nominated members of a Task Force from MOFED, the NAO and the EC Delegation.

Sierra Leone emerged from an eleven-year civil war in 2002. While stability, a functioning economy and basic human rights were the immediate post conflict objectives, the development challenge was, and continues to be, reversing over 30 years of decline in state institutions and processes of governance. Bad governance and the fragility of the state, manifested through endemic corruption, a chronically weak revenue base and grossly inadequate public services, should be viewed as a cause

¹ CSP/NIP, Annex 5, p76, JCSP Drafting Process (doc 6)

² an amount of €6.42m has been added to the B-envelope in response to the food crisis, to be disbursed as additional budget support

³ JCSP p25 III.4 Aid Instruments

⁴ source OECD/DAC QWIDS online database

⁵ Net external fiscal financing 5% of GDP, 27% of government expenditure (2008), source WB Draft PER

⁶ It should be noted that the transition from joint strategic planning to joint programming can be problematic, illustrated by the inability to implement the 10th EDF Non State Actors support programme through a delegated financing agreement as DFID has not been formally approved to be in receipt of EC funds. On the other hand the implementation of the DFID funded Public Sector Reform Programme will be impacted by probable delay in the EC Civil Service Reform Project which is a closely associated intervention

rather than a consequence of the conflict⁷. The development objective is hence not only to repair the damage, of a physical, political and social nature, but to take the country to a level where the causes of the conflict, and hence the risk of re-emergence, are mitigated. This must be achieved in an environment of severe resource constraint and growing challenges of a domestic (e.g. rapid population growth and resource depletion) and international (global economic crisis, climate change) nature.

There have been significant positive developments in the three years since the JCSP was drafted, reflecting a strengthening in the fields of governance and economic management:

- An, orderly and peaceful, transition from the former SLPP government of President Ahmad Tejan Kabbah to the current APC government under the leadership of President Ernest Bai Koroma following the 2007 elections.
- The development and approval (during 2009) of a Second Poverty Reduction Strategy (PRSP II), "The Agenda for Change" for the period 2008 to 2012.
- A second round of local government elections in 2008 and the further devolution of functions to the 19 district and local councils first established in 2004.
- Significant progress in macro economic and public financial management resulting in increased confidence amongst the IMF and the Multi Donor Budget Support Group and hence, especially during 2009, an improving profile of BS disbursement.
- GDP growth averaging over 5% in real terms between 2005 and 2008⁸ (albeit from a low base as a result of the severe impact of the conflict).
- An attempt to introduce government led structures of aid co-ordination through the recent articulation of a draft Aid Policy and measures (sector groups, lead agencies etc) to be presented in the framework of the London CG (November 2009).
- Definition a credible anti corruption strategy implemented by a well functioning institution (ACC)

Against this positive trend there has also been a period of severe price instability (food and fuel) and more recently the emerging impact of global economic recession. Consistent feedback from consultees during the MTR process was that, while supportive of the ambition expressed in documents such as the Agenda for Change, governance and policy developments have yet to be translated into major improvement in the lives of ordinary Sierra Leoneans. This assessment is verified by objective indicators in critical services of Health and Education. Annex 1 (b).

Sierra Leone will not meet any of the MDG targets without sustained and rapid economic growth. The Agenda for Change strategy responds to this reality by prioritizing private sector development through investment in basic infrastructure, the agriculture sector and the creation of a business enabling environment. With infrastructure, principally roads, as the largest focal sector in terms of indicative resource commitment and agriculture as a significant non-focal sector the JCSP/NIP response strategy remains highly relevant. Governance and institutional reform remains the key cross cutting aspect.

The global economic crisis is having a severe negative impact on the Sierra Leone economy, posing serious challenges to the maintenance of macroeconomic stability and poverty reduction efforts. Negative impacts include a severe loss of export earnings from the mining sector, reduction in remittances and delayed or postponed foreign direct investment. Real GDP growth is projected to slow to 4 percent in 2009–10, from 5.5 percent in 2008. As elsewhere the medium term economic and social impact of recession is still emerging. MTR consultees reported local impacts ranging from increased financial pressure on small and medium enterprises to NGOs curtailing local programmes due to funding constraints.

⁷ See Sierra Leone, aspects of Fragility. Draft Report of the EUMS Fragility Group (doc 121)

⁸ Source: WB Public Expenditure Review 2009, draft

In this context the importance of timely programme implementation, especially for infrastructure and agriculture, becomes more critical. As reported in several focus groups (and during Parliamentary consultation) the building of roads is important for the medium term contribution to development but also, crucially at a time of recession, short term employment and income generation, especially for youth, and local multiplier effects.

A key MTR recommendation is enhanced programme management and administration to speed the pace of implementation, making realistic the request for an expanded resource envelope. The imminent strengthening of the NAO office through a major expansion of local staff (12 additional professional staff) as well as technical assistance and, most significantly, the embedding of the NAO within the Ministry of Finance and Economic Development⁹ (as reflected in the active participation of core MOFED personnel in the MTR process) are all positive developments that should have a payoff in terms of enhanced programme implementation.

The identification of a large (€10m) Civil Service Reform Project within the NIP recognises persistently low performance of Ministries, Departments and Agencies (MDAs) as a major constraint to the achievement of development objectives, across the sectors. Chronically weak public human resource management contrasts with a steady improvement in public financial management¹⁰. The implementation of civil service reform, within the context of broader public sector reform,¹¹ is perhaps the most difficult programme challenge for the EC/DFID/GoSL partnership in the second part of the JCSP period. The effective delivery of this intervention will benefit from enhanced multi-donor/GoSL dialogue¹². The heavy weighting of IDA and AfDB performance indicators towards governance measures¹³ implies that measures to enhance Public Sector Management and Institutions (CPIA Cluster D), of which Civil Service Reform is a prime example, could significantly leverage IDA/ AfDB allocations in favour of Sierra Leone.

The government has been actively engaged in negotiations leading to the imminent signing of an Economic Partnership Agreement between the EU and 15 ECOWAS member states. However the potential for Sierra Leone to benefit from the EPA is constrained by weak domestic capacity. Constraints exist in sectors such as fisheries, commercial agriculture and tourism which have significant export potential, beyond the traditional export earner of mining. Support to reform and capacity building in these sectors (including proposed support to the Ministry of Trade) will both realise the potential of policy coherence and help align the EC S-L response strategy to the themes and objectives of the Joint Africa EU Strategy (JAES). The deepening of the dialogue between the EC and GOSL on Governance and Human Rights and the recommendation of accelerating programme implementation with a view to speeding progress towards MDGs are also highly consistent with JAES priorities.

The MTR does not recommend of any further change to the B-envelope provisional allocation¹⁴. This recommendation is based on a conclusion that there has been no significant alteration in the level underlying risk.

⁹ Following the merger of the former Ministry of Economic Development and Planning with the Ministry of Finance

¹⁰ Supported by the IPFMRP programme which is an associated intervention to the, broadly successful, multi-donor budget support programme

¹¹ DFID is supporting a public sector reform programme that has been designed to complement the EC CSR project

¹² Drawing on the success of the strongly co-ordinated multi-donor approach in fields such as electoral support, budgetary support and PFM, and support to decentralisation.

¹³ CPIA cluster D (Public Sector Management and Institutions) has a higher weighting (0.68) than the combined weighting (0.24) of the other three clusters (A- Economic Management, B-Structural Policies, C - Policies for Social Inclusion/Equity).

¹⁴ In 2008, the EC allocated EUR 6.4 million from the 10th EDF B-envelope in direct response to the food price crisis to Sierra Leone. It was decided in Brussels that the funds will be used for topping up the existing budget support (earmarked for the NARP), even though the Delegation recommended its use in support of the development of urban/rural safety nets.

1.2 Conclusions and recommendations regarding the relevance of the response strategy

Conclusions

C1 The EC response strategy remains valid with respect to sector focus. The priorities set out in the JCSP are still relevant to achieve the objectives of Sierra Leone's new poverty reduction strategy, the Agenda for Change (AfC).

C2 The agriculture sector (and fisheries), although designated as non focal, will grow in importance as a result of prioritisation in the Agenda for Change. The significance of this sector is also enhanced by the imminent EPA and the greater attention to be placed on natural resource management in the context of climate change. Although identified in the NIP a non focal, the EC is the de facto lead donor in the sector.

C3 The economic crisis heightens the need for accelerated programme implementation, especially in the field of infrastructure and the priority productive sectors of the country, such as agriculture and fisheries, in order to stimulate economic development.

C4 Further transition in aid instruments is implied by the new GoSL Aid policy. The continuing dependence of interventions on PIUs or local staff on greatly enhanced, donor funded, salaries is a critical issue to be addressed in the context of dialogue on improving aid effectiveness

C5 The proposed Civil Service Reform project is a strategically important intervention, for government and for other donors. The new Governance Action Plan includes a commitment to the implementation of fundamental pay reform that will allow the "missing middle" in the civil service to be filled and for numerous donor supported capacity building interventions to have a receptive target. This draft commitment, if ratified by Cabinet, should help clear the way for the implementation of the proposed EC supported intervention.

C6 There is a positive trend across most governance aspects but the change process in certain sectors, e.g. Justice and anti-corruption, is still at an early stage. Deepening dialogue with government around peace, security and human rights, continuing support to non-state actors and external accountability, monitoring and oversight mechanisms are amongst programme interventions that will help to sustain this trend.

C7 This joint annual report is in strong consistency with the performance assessment carried out in parallel by the EC and EU Member States. The net effect of the performance assessment is a request for additional EDF funds, as a reflection of progress and strongly positive trends especially in governance and economic management aspects.

Recommendations

R1 Enhance the multi-donor/GoSL policy dialogue with respect to the critical institutional issue of civil service reform, building on the successful multi-donor approaches in electoral support, budgetary support and decentralisation, and developing a partnership to support the government in delivering its commitment to civil service reform.

R2 Consider future shifts in aid modalities, putting more emphasis on support to sector wide approaches, specifically sector budget support, based on (operational) national sector strategies, including realistic mid term prioritised objectives and targets.

R3 Incrementally limit the reliance of GoSL and donors on PIUs and individual contract staff to carry out fundamental state reform agendas in the country (decentralization, PFM, civil service reform,

public sector reform, etc.) and seriously work on sustainable and efficient exit strategies for current PIUs, ensuring that the capacity and knowledge built inside PIUs is transferred to civil servants. This critical process of handing technical and professional responsibilities "back" to institutions will represent a fundamental shift from post-war fragility to engaged partnership through GoSL institutions.

R4 Enhance the EC/GoSL dialogue with respect to the poverty impact of core institutional reform and capacity building activities, consistent with the JAES objective of accelerating progress towards the achievement of MDGs.

R5 Review options to enhance programme implementation speed: review core bottlenecks in absorption capacity and identify potential opportunities arising from expanded NAO capacity.

R6 Given the strategic priority placed by Government on Agriculture and Natural Resource Management, the leading donor role of the EC in this field and anticipating increased funding for agriculture, food security and the adaptation to climate change, maintain A&NRM as a significant non-focal sector for the 11th EDF programme.

R7 Consider the scope to include an element of capacity building for Parliament within the Governance and Institutional Support portfolio.

2. Envelope assessment

The 10th EDF spans over the period 2008 to 2013. Given that the main part of the period covered by the 10th EDF still remains and that the risk assessment at the time of the JCSP is still valid, there are no tangible justifications that would support a change of the B-envelope allocation.

In view of the above the recommendation is to maintain the level of 26,4 M€ in the 10th EDF B-envelope. The allocation for AIDCO implementation stays at 19,8 M€ (to be transferred to the general reserve) and the allocation earmarked for ECHO implementation remains at 6,6 M€ (25% of the total B-envelope).

MTR ASSESSMENT GRID

COUNTRY NAME: **SIERRA LEONE**

Current 10th EDF Allocation for the A-envelope (in Euros): **242 M EUR**

MTR ASSESSMENT OF PROGRESS:

	Rating: A, B, C, D	Any special considerations evoked in preparation of the assessment fiches and used as a basis for a possible correction of rating	rating after correction
1. evolution of governance situation	B (B + B)	The governance situation in the country was constantly improving but formidable challenges persisted in areas such as corruption, women and children rights, decentralisation, civil service reform, fight against corruption and justice system.	B
2. evolution of economic situation	B (B +B)	The MTR rating as well as the international benchmarks (IRAI) showed that Sierra Leone has made good progress in the evolution of the economic situation. Sierra Leone did rather well in the area of macro-economic management and structural policies while in the area of public sector management, governance and institutions Sierra Leone obtained average scores. More significant is that the scores indicated consolidation and improvement across the board over the period 2006-2008 that saw also peaceful elections and democratic change of government. This is a remarkable achievement for a fragile country with overall extremely weak capacity and testified to the quality of the country's economic policy and institutional arrangements which are the key elements within the county control. Moreover, two independent and critical assessments recently carried out by IMF and MDBS, have provided very positive feedback on the economic performance indicators met by Sierra Leone. The IMF mission informed the donors that this had been a good review with all performance indicators met. The MDBS Aide Memoire states that it is recognized that the authorities have taken vigorous action in a number of areas of weaknesses of PFM and that overall a positive trend in PFM reform process is recognized.	B
3. evolution of poverty and social situation	C (B+ B + C)	Despite improvements in the social situation, a vast number of challenges persisted and Sierra Leone most probably will not achieve any of the MDGs by 2015.	C
4. EC aid – performance in implementation	B (C+B+B)	While the implementation of the 9 th EDF projects improved, hardly any of the 10 th EDF projects was engaged, particularly in the focal sector Governance. Low capacity of the administration remains a bottleneck.	B

INTERMEDIATE CONCLUSION AND RECOMMENDATION

tick applicable box		A-envelope		Overall special considerations, incl. impact of the crisis
	Significant and consistent progress: all A's and maximum one B	increase	++ (%)	
	Good progress on a majority of issues assessed: at least one A, maximum one C and no D's	increase	+ (30%)	
X	Average progress made: maximum two C's and no D's	no change	= (%)	
	Little or no progress made on most issues assessed: more than two C's and maximum one D	decrease	- (%)	

	No progress or even deterioration of situation on several issues: more than one D	decrease	-- (%)			
FINAL RECOMMENDATION after taking into account overall special considerations, tick applicable box:				In M€		
					++ (%)	
					+ (%)	
				X	= (%)	
					- (%)	
	-- (%)					

Synthesis Table

NIP	Initial NIP			Current NIP*			MTR proposal - no re-adjustments of A or B envelop recommended		
	Amount (in M€)	of which SBS (in M€)	amount as % sub- total	Amount (in M€)	Of which SBS (in M€)	amount as % A-env	Amount (in M€)	of which SBS (in M€)	amount as % A-env
A envelope	242,0	0	100%	242,00	0	100%	(a')		100%
GBS	90,0		37,19%	90,00		37,19%	90,00		37,19%
FOCAL SECTOR 1 - Good Governance and Institutional Support	37,0		15,29%	37,00		15,29%	37,00		15,29%
FOCAL SECTOR 2 - Rehabilitation of Priority Infrastructure	95,0		39,26%	95,00		39,26%	95,00		39,26%
NON FOCAL AREAS:						0,00%	0,00		0,00%
- Agriculture	12,0		4,96%	12,00		4,96%	12,00		4,96%
- Trade/EPA assistance	3,0		1,24%	3,00		1,24%	3,00		1,24%
- Technical Cooperation Facility	2,5		1,0331%	3,00		1,24%	3,00		1,24%
- Contribution to regional programmes	2,0		0,83%	2,00		0,83%	2,00		0,83%
-Other	0,5		0,21%	0,00		0,00%	0,00		0,00%
B envelope	26,4		100%	26,4		100%	26,4		100%
- AIDCO implementation	19,8		75,00%	19,8		75,00%	19,8		75,00%
- ECHO implementation	6,6		25,00%	6,6		25,00%	6,6		25,00%
Total			100%			100%	0		100%
Change in country allocation									
- A-envelope									
- B-envelope									

Sierra Leone: EU Funded Budget Lines projects 2010 Update

No.	Organisation	Title of Project	EU contribution	Project Location	Duration
1	Christian Aid	Strengthening health sector governance for effective service delivery in Kailahun District.	965,236.00	Kailahun District	April 2011 36 months
2	International Rescue Committee	Service delivery and system strengthening – a two pronged approach to support free health care in Kenema district	864,852.75	Kenema District	January 2011 36 months
3	Marie Stopes Society Sierra Leone	Improving health outcomes through strengthening public and non governmental sector sexual and reproductive health services and education in 5 districts in SL	987,872.32	Bo, Pujehun, Bonth, Bombali, Kailahun	March 2011 30 months
4	Handicap International	Sustaining rehabilitation services	577,582.55	Western Urban, Western Rural, Bo and Kono	January 2011 36 months
5	Inter Aide .	Empowerment of rural communities in Bombali District	627,226.00	Bombali District – 7 chiefdoms	January 2011 60 months
6	Concern Worldwide	Sustainable health actions through people's empowerment (shape)	951,432.16	Tokonlili Distirct	January 2011 36 months
7	Bombali District Council	Sustained monitoring of GoSL's new free health care programme	443,317.00	13 chiefdoms Bombali District	January 2011 24 months
8	GOAL Ireland	Preventing substance abuse among young people in Freetown	330,675.00	Freetown	January 2011
9	Medicos del Mundo	Strengthening the capacities SRH services and the communities of the Koinadugu District to improve the infant and maternal health and respond o gender based violence.	1,440.000.00	Koinadugu	January 2011 36 months
10	Kailahun District	Building capacity of PHUs	449,932.00	Kailahun District	January 2011

	Council				24 months
11	BBC World Service Trust	Unblocking the Cocoa Value Chain through Informal and Formal Pathways to Learning in Eastern Sierra Leone	955,458.64	Kono, Kailahun and Kenema	April 2011 36 months
12	HELP-SL	Advancing Technical and Vocational Capacities for Employment and Enterprise Development in Sierra Leone	513,944.00	Bo,Pujehun, Moyamba, Bonthe, Kenema and Tonkolili	January 2011 36 months
13	Handicap International	From economic nuisance to economic empowerment; improving the livelihoods of vulnerable populations, including persons with disabilities, in Sierra Leone, using an inclusive approach.	785,714.00	Freetown, Kono	January 2011 36 months
14	Leonard Cheshire Disability Foundation	Improve social inclusion and increase employment opportunities for disabled people in Sierra Leone, Tanzania and Uganda	1,994,228.00	Freetown, Kono and Kabala	January 2011 36 months
15	Global Initiative on Psychiatry	Enabling Access to Mental Health in Sierra Leone	764,836,.77	Whole Country	January 2011 60 months
16	Search for Common Ground	Opening political space	594,560.00	14 Districts	January 2011 24 months
17	BBC Worldservice Trust	A National Conversation on Human Rights, Governance and Democracy	465,112.00	Nationwide	February 2011 24 months
18	Environmental Justice Foundation	Developing Marine Protected Areas and an Ecosystem Management approach to Fisheries in the Manu River Region, with special focus on Sierra Leone and Liberia	788,000.00	Nationwide	December 2010 60 months
			12,295,142.42		