

INTERNATIONAL MONETARY FUND
AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

SIERRA LEONE

Joint Staff Assessment and the Interim Poverty Reduction Strategy Paper

Prepared by the Staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

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I. INTRODUCTION

1. Post-independence Sierra Leone has had a troubled history, characterized by ethnic strife, civil war, institutional instability, and poor governance. After witnessing a growth rate of nearly 4 percent per annum during the first decade after independence in 1961, Sierra Leone saw its economic and social conditions deteriorate sharply in the 1970s and the first half of the 1980s. While external developments were a factor underlying this trend, the more fundamental reason for this decline was inappropriate government policies and poor governance. Based on the poverty profile compiled in 1994, it is estimated that over 80 percent of the population lived below the poverty line of one U.S. dollar per capita per day in 1990. While some gains have been recorded in economic performance in recent years and serious efforts have been made by the government to improve the governance framework, the prolonged civil war has severely constrained the achievement of the sustained positive growth rates required to alleviate poverty.

2. This document presents the joint assessment of the staffs of the Bank and the Fund of the interim poverty reduction strategy paper (I-PRSP) prepared by the government of Sierra Leone and submitted to the Bank and Fund on June 21, 2001. The authorities have consented to the publication of both the I-PRSP and the joint staff assessment (JSA). The I-PRSP, developed with technical assistance from the World Bank and other donors, summarizes clearly the pervasive extent of poverty in Sierra Leone, and the intensification caused by the ten year civil war. In the document, the government gives its firm commitment to poverty reduction, outlines a sound poverty reduction strategy; a participatory monitoring and evaluation strategy; and details an ambitious, but feasible road map for preparing the full PRSP by end-2002.

3. In the I-PRSP, the government has adopted a two-phased approach to poverty reduction that is appropriate, given the immediate postwar challenges, and the longer term social and economic infrastructure requirements of sustainable development. In the transitional phase, covering the period 2001-02, the government rightly focuses its policies on addressing the immediate postwar needs, including strengthening security and law and order; prioritizing the needs of the most vulnerable (displaced people, war victims, and veterans); rebuilding the social and physical infrastructure; and strengthening institutional capacity in key areas. The medium term phase of the poverty reduction strategy will focus on longer term development and poverty reduction issues, and will be elaborated on in the context of the full PRSP. In the staffs view, the development strategy as elaborated in the I-PRSP differs from past Sierra Leone development strategies in one very important respect that bodes well for its successful implementation. It reflects the outcome of extensive participatory consultations involving citizens from across the country, that culminated in 2000 in stakeholders' agreeing on a national vision statement on medium term development priorities and strategies.

II. GOVERNMENT COMMITMENT AND OWNERSHIP

4. In the I-PRSP, the government states its firm commitment to the reduction of poverty. This commitment is reflected in the extensive work the government has been undertaking in developing a participatory approach to poverty reduction within a constrained, post-conflict environment. Since 1996, with support from the World Bank, the government has included civil society through the national Strategic Planning and Action Process (SPP) in the development of a national vision statement, and a consensus has been built on medium term development policies and priorities. Throughout most of the country, focus group discussions have been held, with a broad representation from civil society. This included consultations that were held with the population in rebel-held areas, and which informed the preparation in 2000 of a comprehensive survey report on the status of women and children (MICSII) in Sierra Leone. The results of these discussions have contributed to an initial participatory analysis of poverty, the benchmarking of the government performance against community responses; and the holding of national consultations to determine a shared national strategic vision.

5. The government's commitment is also illustrated by the I-PRSP's statement that the government's highest priority is to create a peaceful environment that allows free movement of people and goods. The staffs consider this to be crucial for the successful implementation of the poverty reduction strategy. The ongoing efforts to disarm and reintegrate ex-combatants through positive engagement are also considered to be a very positive sign of political commitment. The I-PRSP could, however, have mentioned the accelerated pace of demobilization since May 2001. The government's political commitment is also reflected in its expressed intention to observe constitutional requirements on the timing of presidential and parliamentary elections to be followed by elections at the district level once the rural communities have been resettled.

III. THE PARTICIPATORY PROCESS

6. The I-PRSP is a good example of a broad-based national participation process that goes beyond the staffs' expectations of a typical I-PRSP. The staffs consider this paper to be most commendable, given the difficult security environment and severe capacity limitations.

7. **Background to participation in Sierra Leone.** In the last decade, Sierra Leone has established a tradition of engaging civil society in the identification of development priorities. Participatory processes gained momentum after the election of the democratically elected government in 1996 with the launching of the SPP. Following "listening visits" to the provincial centers to obtain the views of local community representatives regarding development needs and priorities, a national consultative forum was held in Freetown in November 1996. Participants included civil society representatives, government officials, and members of the donor community. After a one-year hiatus caused by the May 1997 coup d'état, consultations were resumed in August 1998. Sierra Leonean authorities are to be commended for keeping the civil society engaged despite the unstable security situation in the country.

8. **Participation in the preparation of the I-PRSP.** Preparation of the I-PRSP took place over a 15-month period, involving a series of consultative workshops under the guidance of a multi agency steering committee which included non-governmental organizations (NGO) representation. The drafting process drew heavily on the results of prior consultative exercises. Most notable among these are the SPP consultations, which, since 1996, have engaged more than 2,000 citizens across all four regions in a structured dialogue on national vision and development priorities. The authorities also regularly consulted with donors and sought their views on key policy areas. It is expected that donors will be closely associated with the consultative process of preparing the full PRSP and will provide needed technical and analytical support.

9. **Planned participation process for the full PRSP.** The I-PRSP sets out an ambitious but realistic 18-month plan for participatory PRSP preparation, led by the Ministry of Development and Economic Planning. It proposes a four tiered governance structure that includes the following: an inter ministerial policy committee; a multi agency steering committee comprising of relevant agency heads; a Poverty Alleviation Strategy Coordinating Office (supported by a team of national and international consultants); and five multipartite working committees commissioned to draft various sectoral and cross-cutting contributions to the PRSP.

10. A variety of mechanisms are proposed to engage a wide range of stakeholder groups in data collection and the collaborative assessment of key issues and successive PRSP drafts. The mechanisms will include the activities of the five working committees; radio and television discussions; stakeholder consultative workshops; technical workshops; mini-consultative group meetings; and an expanded series of focus group discussions with

ordinary citizens, using the established SPP methodologies. The SPP mechanism has already been institutionalized (being funded in the national budget) and will be an integral part of the elaborate PRSP monitoring and evaluation strategy set out in the document.

11. There are some areas in which there is scope for further improvement in strengthening ownership of the strategy: (i) the Output/Task-Timeline (Table 5.1, I-PRSP) summary of consultative processes needs to indicate the specific stakeholder groups to be consulted, the key issues/trade-offs to be addressed, the mechanisms to be used, and their sequence and approximate schedules; (ii) to date the SPP focus group discussions have engaged mixed groups of self-selected citizens. Careful planning will be required to organize focus group discussions with homogenous groups (such as internally displaced persons (IDPs), refugees, ex-combatants, women and youth), and to introduce a more strategic sampling of the population to enhance the representation of the aggregated results; (iii) a set of milestones should be established to give an indication of progress in the participatory process; and (iv) the draft budget for each of the sets of activities should be finalized, with an indication of the available resources, technical assistance and funding gaps that will require the support of the donor community.

IV. ASSESSMENT OF THE INTERIM PRSP

A. Poverty Analysis

12. The I-PRSP provides an analysis of the poverty situation in Sierra Leone, acknowledging the paucity of up-to-date data compounded by weak institutional capacity for poverty analysis. The last household survey was conducted in 1989/90, the results of which were used to prepare the poverty profile for Sierra Leone in 1994. In 2000, the government in collaboration with the UN agencies, concluded the Multi-Indicator Cluster Survey (MICS-2) on the status of women and children in Sierra Leone. One of the main objectives of the survey was to collect data needed for monitoring progress toward the goals established at the World Summit for Children. Also, in 2000, the SPP technical committee conducted a baseline service delivery survey to collect information on some indicators for measuring and monitoring poverty. In the staffs' view, the surveys have provided good coverage and are of good quality, considering the difficulties of collecting data in a post-conflict environment.

13. The I-PRSP draws effectively on the findings of these surveys. In addition to covering the income aspects of poverty, the I-PRSP also covers the following non-income aspects of poverty: (i) education and training; (ii) food security; (iii) health, water and sanitation; and (iv) women and children. The main causes of poverty are clearly identified to be: (i) bad governance and economic mismanagement; (ii) poor economic growth performance; (iii) increased vulnerability from the civil war; (iv) unemployment and underemployment; (v) lack of access to basic social services; (vi) adverse terms of trade; and (vii) debt burden.

14. In the staffs' view, while the I-PRSP provides a good analysis of poverty in Sierra Leone, it could have been strengthened by adding gender inequality (clearly articulated under description of the non-income aspects of poverty) to the causes of poverty; linking internal displacement to lost economic opportunities; analyzing to a greater extent the links between insecurity and poverty; and bringing out explicitly the situation of child soldiers as a particularly vulnerable group. Also, given the fact that 80 percent of the population lives below the poverty line using one dollar U.S. per person per day may not be the most appropriate measure of income poverty. The staffs therefore suggest the development of alternative more appropriate poverty benchmarks to monitor the impact of the poverty reduction strategy on the poorest of the poor.

15. The staffs support the government's stated priority to ensure access to relevant, reliable and timely socioeconomic information on the poverty situation. This is particularly important for preparation of the full PRSP, given that the poverty data reported is largely based on a 1990 survey. In the transition period (2001-02), the SPP technical committee, in consultation with the Central Statistics Office (CSO), will carry out ad hoc surveys to establish benchmarks regarding the current poverty situation and its evolution. In the medium term (2003-05), the government's priority is to build a comprehensive information base for poverty analysis and monitoring. As a first step, this will include a population census to provide information about the geographical distribution and characteristics of the people who, by then would have returned to their homes after the war. The census would provide a basis for comprehensive household income and expenditure surveys and/or living standards measurement surveys. The staffs recommend that the government design a comprehensive poverty-monitoring system during the transition phase and implement a high-quality nationally representative survey to measure living standards in the country as soon as conditions permit. The staffs also note that more work is required to assess the impact of macroeconomic and structural policies on the poverty situation in Sierra Leone. It is hoped that such technical work will be undertaken during the preparation of the full PRSP.

B. The Strategy

16. The I-PRSP reflects the government's priority to address the challenges of transition from war to peace. Recognizing the current political and security situation in the country, staffs are in agreement with the phased approach used by the government to elaborate its poverty strategy. The strategy will be implemented in two phases – the transitional phase (2001-02) and the medium-term phase (2003-05). In the transitional phase, emphasis will be placed on: (i) national security and good governance; (ii) the relaunching of the economy; and (iii) providing basic social services to the most vulnerable groups. In the medium term, the focus will be on good governance the revival of the economy, and social sector development. The staffs are of the view that to prepare the full PRSP, the strategy needs to be confirmed through both the comprehensive participation of society at large and structured analytic work. The latter would ensure that the strategy is founded on a robust diagnosis of the problem and is empirically meaningful. While some reference is made to diagnostic policy and sector

reviews in the indicative Output/Task Timeline, it would have been useful to bring it out clearly the text.

17. *National security and good governance.* The staffs support the priority the government has placed on the implementation of the Disarmament, Demobilization and Reintegration (DDR) program, which is the cornerstone of improving national security. The staffs also support the government's Good Governance Program, which will put in place a more decentralized, transparent, and proactive system of governance, with civil society playing a key role in monitoring and budgetary oversight.

18. *Relaunching and revival of the economy.* The government recognizes the maintenance of macroeconomic stability as a prerequisite for the attainment of sustainable and higher economic growth that is essential for reducing poverty. The government's strategy also rightly emphasizes the development of the private sector where two key elements are identified for the transitional period: (i) promoting micro-enterprises in the formal and informal sectors; and (ii) limiting the role of government as owner and operator of public enterprises. The staffs agree with this strategy, in principle. There is a correct emphasis on facilitating access to financial services. However, the emphasis remains on micro-credit financing schemes and institutions (without reference to savings and payments services). Also, these schemes and institutions are government organized, which is not a recognized best practice. In general, the staffs are concerned that the government's strategy on micro finance does not reflect familiarity with internationally accepted best practice. While the proposed study on micro-finance is a good start, it is recommended that senior policy makers also seek to draw on lessons from other countries' experiences in micro-finance best practices. Support can be provided by the Consultative Group to Assist the Poorest (CGAP) through well-structured study tours, and through the use of international resource people and training.

19. The staffs also support the government's main priorities in the economic sectors: particularly, agriculture, mining, and infrastructure. The transitional period strategy is rightly directed at returnees and IDPs in both the agriculture and mining sectors. While recognizing the issues in small scale mining, the document fails to link them to the issue of demobilization. There is also little reference to policies actively seeking to promote foreign direct investment in mining. In this regard, it is important that an appropriate regulatory framework is developed to oversee the development of the mining sector. The government, in collaboration with the Bank and IFC, should develop this framework. Such policies, if successful, could have an immediate poverty impact by generating direct and indirect employment, and an indirect impact by generating tax revenues for the government. It is hoped that the PRSP will address these issues more fully. Similarly, the document could bring out clearly the role of the transport sector in poverty alleviation by linking people to resources and markets. Overall, the staffs see the need for a deeper analysis of constraints on economic growth and agree with the government's proposal of undertaking sector policy reviews and analyses of their growth potential.

20. *Social sectors.* In the education sector, the government's priority is to increase school enrollment and retention rates, as well as to improve the quality of basic education. It aims to introduce universal free primary education (classes 1 – 6) in all government-owned and assisted schools. In the medium term, the government proposes to expand teacher training colleges to improve the quality of education. Its strategy also includes improving facilities in technical and vocational schools, establishing adult education training centers, and promoting research at the University of Sierra Leone. The staffs agree with the government's priority to achieve education for all. However, it believes that the set of actions has to be in accordance with achieving these goals. For example, recruiting teachers trained in urban teacher training colleges to teach in rural areas is very costly. In many countries, recruiting local teachers and providing in-service training is less costly and produces better learning outcomes. It is expected that the ongoing work in the education sector, supported by the Bank and other donors, will help the government to prepare a detailed sector strategy, based on further diagnostic work and lessons learned from other sub-Saharan countries, that can be reflected in the PRSP.

21. In the health sector, the government will seek to reduce maternal and infant mortality rates and to control and prevent the spread of malaria. To achieve this, the government will increase budgetary allocations to basic health centers, reconstruct and rehabilitate peripheral health clinics, and hire and train additional medical staff to improve access to basic health care services, especially in the rural areas. The staffs expect this to be done in the context of an overall human resource strategy for the sector based on analytical work to understand the principal determinants of the extremely poor health outcomes in Sierra Leone. The strategy will help the government to prioritize activities in the sector and design cross-sectoral interventions. In the medium term, the government will expand and strengthen the decentralized network of facilities at all levels by providing sufficient logistics to ensure functionality and enhance accessibility, as well as to increase the supply of drugs and of safe drinking water and improve sanitation in both urban and rural areas. To minimize the spread and rise in STDs/HIV/AIDS cases, the government will intensify information and education campaigns to increase the public's awareness of STDs/HIV/AIDS. It will also promote the use of preventive measures by distributing condoms and training counsellors in home-based care for people living with HIV and AIDS. The focus will be on youths and women of reproductive age. The staffs agree with the strategy, but would like the government to include military personnel and demobilized ex-combatants, as they are likely to have been affected during the prolonged conflict.

V. THE MACROECONOMIC FRAMEWORK

22. The growth promoting macroeconomic framework and targets that are presented in the I-PRSP reflect a three-year framework for which government is seeking IMF support under the Poverty Reduction and Growth Facility (PRGF). The I-PRSP correctly highlights the progress made towards macroeconomic stability and structural reforms in the past three years, despite very limited capacity and general insecurity.

23. The staff consider the macroeconomic framework to be appropriate and supportive of the poverty reduction priorities outlined in the I-PRSP. The staffs wish to note, however, that the macroeconomic framework is framed in the context of early restart of rutile mining, government takeover of the diamond mining areas, resettlement of rural communities and support for agricultural revitalization. The framework therefore remains vulnerable to any delays of setbacks in these areas.

24. As indicated in the I-PRSP and elaborated on in the Memorandum of Economic and Financial Policies that accompanies the authorities' request for a three-year PRGF arrangement, the government's primary emphasis is on poverty reduction through programs that will improve service delivery and that will restore and enhance the population's capacity to undertake income-generating activities. The short-to-medium term macroeconomic objectives set out in the policy matrix of the I-PRSP (Appendix 3.1a), are integrated with the overall poverty reduction strategy, and in particular, allow for significant increases in public investment for social services.

25. The I-PRSP notes that public expenditure reviews will be conducted to strengthen the medium-term expenditure framework. However, it is not clear from the I-PRSP how much work needs to be done to cost the priority programs so as to link them to the macroeconomic framework. The full PRSP will need to elaborate more on the linkages, particularly on the priorities and the accountability mechanisms for the use of savings from debt relief, should Sierra Leone's request for HIPC debt relief be favorably considered in 2001.

VI. MONITORING AND EVALUATION MECHANISMS

26. The I-PRSP clarifies the near-term poverty reduction priorities, and adequately details mechanisms for monitoring and evaluating its strategy. To this end, the government has committed itself to the ambitious task of focusing its monitoring and evaluation strategy on outcome indicators for each anti poverty activity. Annex 3 of the document presents a clear set of verifiable monitoring indicators and targets for the transitional period 2000-02. For the full PRSP, these indicators will need to be expanded further and include qualitative indicators such as the people's perceptions from participatory poverty assessment data. Table 5 in the document details clearly the actions required and deadlines for completion of the PRSP by end-December 2002. It would have been useful to identify the levels of external financial or technical assistance needed to ensure that these benchmarks are met. More broadly, the staffs found that the I-PRSP omitted to discuss the immense technical assistance required for the strategy to succeed. Such a discussion is necessary given the extensive short-to medium-term needs for rebuilding capacity, and social and economic infrastructure. The staff's are aware that these needs have been identified by the authorities and presented to donors in a different context.

27. The document gives a preliminary indication of how the budget-tracking process is being instituted from 2001 through implementation of a medium-term expenditure framework (MTEF) and drawing on lessons from the recent expenditure-tracking survey. Greater

transparency and efficiency of public service delivery aimed at poverty reduction, are expected to flow from the proposed institutional mechanisms which will empower local communities to participate in defining development priorities and public service expenditure priorities. To ensure the maximum impact on poverty, the government is embarking on a public expenditure tracking survey during the period July-September 2001 to assess the efficiency and quality of service delivery in the first half of 2001. The objectives of the survey include (i) providing quantitative evidence on delays in the execution of recurrent expenditures, focusing specifically on the transfer of resources from non-wage recurrent expenditures from central to district levels; (ii) providing baseline data and diagnostic information on critical poverty sectors; (iii) assessing quality and efficiency in service delivery at facility levels; and (iv) assessing the impact of delays and leakages in public expenditures on public service delivery. In preparing the full PRSP, the government will need to demonstrate how these budgetary-tracking systems have influenced the annual budget preparation process in 2001 and 2002.

28. Putting in place adequate systems for monitoring and evaluation will be key to tracking implementation progress. In this regard, the I-PRSP has rightly highlighted the Good Governance Program, to which the government is committed. This embraces local government reforms, civil service reforms, the strengthening of the judiciary and legal system, and implementation of the strategic planning and action process aimed primarily at enhancing participatory development policy making. It will be necessary in the full PRSP to show how the priorities in the Good Governance Program are synchronized with the capacity required to meet the poverty outcomes and targets.

VII. RISKS

29. In view of the extensive economic and social dislocations caused by the war and the fragility of the peace process, there are several risks to the implementation of the government's poverty reduction strategy and to the timely completion of the full PRSP. Notwithstanding the marked progress in the pace of disarmament of ex-combatants since May 2001, the pace of resettlement and re-integration of the displaced population has been slow and the risk remains of the government not being able to reestablish full security and control in all parts of the country. In the staffs' view, this poses a major risk to the strategy, since re-launching of rural economic activities that requires timely resettlement of the very large displaced population, is crucial to any meaningful strategy for sustainable poverty reduction in Sierra Leone.

30. Another important risk to the strategy and to the completion of the full PRSP is posed by the possible political non-commitment, depending on the outcome of the parliamentary and presidential elections due by end-2001. The broad-based support for poverty reduction is encouraging based on the results of the participatory consultations. But, the staffs would, however, stress the importance of continued commitment by the authorities to the timetable

set for completion of the full PRSP, so as to continue to receive donor financial and technical support for the poverty reduction strategy in this post-conflict environment.

31. Delays in the consultations process and, in particular, lags in the provision of external technical and financial support could pose a risk to the completion of the PRSP by end-2002. This risk can be mitigated by early establishment of the management framework for the preparation of the PRSP and active dialogue with donors on specific needs.

32. There is also the risk that macroeconomic stability could prove difficult to maintain, either because of failure to maintain fiscal discipline, a delay in the recovery of rutile mining, or a shortfall in donor funding, thereby impeding the implementation of the poverty reduction strategy, and the early re-launching of the economy on a sustainable growth path. The staffs would, therefore, stress the need for the authorities to remain committed to a sound medium term economic framework, as elaborated in their July 2001 request for IMF support under the PRGF. Failure to mobilize sufficient external financing and technical assistance, delays in the start-up of rutile mining in 2002, as well as delays in re-establishing local government administration in rural areas could also threaten the fragile macroeconomic stability that has been achieved and slow the pace of economic recovery. In the staffs' view, the need for continued donor assistance will remain crucial to the implementation of the poverty reduction strategy outlined in the I-PRSP during both the transition and medium term phases.

VIII. CONCLUSION

33. The I-PRSP summarizes the current state of knowledge of poverty derived from the participatory process and national consultations that have evolved over the past six years. The document correctly describes the grave poverty situation and sets out a sound poverty reduction strategy that takes cognizance of the immediate postwar realities and the extensive medium-to-longer term infrastructure needs. The document lays out a detailed process of developing a full PRSP in a participatory fashion. Given the difficult post-conflict environment, the staffs particularly commend the extent of the participatory process, as well as the high quality and timeliness of the I-PRSP document produced. The staffs wish to reiterate the risks to the implementation of the strategy and to the completion of the full PRSP by end-2002 relating to the pace of the DDR program, the resettlement of the displaced population, continued macroeconomic stability, as well as to the early start-up of rutile mining.

34. The staffs of the World Bank and the IMF consider that this I-PRSP provides a sound basis for the development of a fully participatory PRSP, and for Bank and Fund concessional assistance. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.

Sierra Leone: IMF/World Bank Key Events,

July 2001–End-2002

Institution	Project/Event	Expected Date
IMF	Request for First Annual PRGF Arrangement	July 2001
WB/IMF	Joint Staff Assessment of the I-PRSP	July 2001
WB/IMF	HIPC Preliminary Document	July 2001
IMF	Monetary and Exchange Affairs Technical Assistance	September 2001
WB	Economic Recovery and Rehabilitation Credit II	November 2001
IMF	Article IV Consultation and First Review of PRGF Arrangement	December 2001
WB/IMF	HIPC Decision Point Document	December 2001
WB	Transitional Support Strategy	April 2002
IMF	Second Review of PRGF Arrangement	June 2002
WB	Public Expenditure Review	August 2002
IMF	Article IV Consultation and Third Review of PRGF Arrangement	December 2002
WB/IMF	Joint Staff Assessment of PRSP	December 2002