

# Sierra Leone - European Community

## Country Strategy Paper

And

## National Indicative Programme

For the period 2003 – 2007



## GENERAL PROVISIONS

The Government of the Republic of Sierra Leone and the European Commission hereby agree as follows:

- (1) The Government of the Republic of Sierra Leone, represented by Hon Mohamed B Daramy Minister of Development and Economic Planning and National Authorising Officer and the European Commission, represented by Mr J J Tunnacliffe Head of EC Delegation in Sierra Leone, hereinafter referred to as the Parties, held discussion in Freetown from January 2001 to June 2002 with a view to determine the general orientations for cooperation for the period 2002 - 2007. The European Investment bank was represented at these discussions by *<name and title>*.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Republic of Sierra Leone were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2002. These discussions complete the programming process in the Republic of Sierra Leone.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to the Republic of Sierra Leone for the period 2002 to 2007, an amount of €144.0 million for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A – allocation) and of €76.0 million for the allocation referred to in Article 3.2 (b) (B – allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A – allocation will cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Chapter VI concerns the resources of the A – allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which The Republic of Sierra Leone benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the commission.
- (4) The B – allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. With the exception an amount of €25.0 million which is destined to finance the development programme identified following a request for aid under the Sysmin programme of the Lomé Convention but for which no financing decision could be taken before 31 December 2000, the B – allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme. For the time being, only the programme to be financed under the Sysmin – allocation is included in the work programme.

- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the government of the Republic of Sierra Leone within the limits of the A – and B – allocations referred to in this document and under the condition that sufficient resources are available under the general reserve of the 8th EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until the entry into force of the Financial Protocol for the Ninth European Development Fund.
- (6) The European Investment bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment facility and/or from its own resources, in accordance with Articles 3 and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of-term review shall be undertaken within four years from the date of signature of the Country Strategy Paper and the National Indicative Programme. Following the completion of the mid – and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

- (8) The agreement of the two parties of this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures:

For the Government of Sierra Leone

For the European Commission

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## Acronyms

ACC	Anti Corruption Commission
ACP	Africa, Caribbean, Pacific
ADB	African Development Bank
AFL	Armed Forces of Liberia
AFRC	Armed Forces Revolutionary Council
APC	All Peoples Congress (SL Political Party)
AU	African Union
BWI	Bretton Woods Institutions
CAPs	Consolidated Appeal Programme
CBO	Community Based Organisation
CDF	Civil Defence Force
CFAA	Country Financial & Accountability Assessment
CMU	Coordination and Monitoring Unit (for the transport sector)
CPFA	Country Profile of Financial Accountability
CRRP	Community Reintegration and Rehabilitation Programme
CSP	Country Strategy Paper
DAD	Donor Assistance Database
DDRMDTF	Disarmament, Demobilisation, Reintegration Multi-Donor Trust Fund
DIFD	United Kingdom Department for International Development
EC	European Commission
ECHO	European Commission Humanitarian Office
ECOMOG	ECOWAS Military Observer Group
ECOWAS	Economic Community of West Africa States
EPA	Economic Partnership Agreement
ERRCP	Economic Rehabilitation & Recovery Credit Programme
ERSP	Emergency Recovery Support Programme
EU	European Union
F-PRSP	Full Poverty Reduction Strategy Paper
GoSL	Government of Sierra Leone
HIPC	Highly Indebted Poor Countries
HSSP	Health Sector Support Project
IC	International Community
IDPs	Internally Displaced People
IMC	Inter-Ministerial Committee
IMF	International Monetary Fund
INGO	International Non-Government Organisation
I-PRSP	Interim Poverty Reduction Strategy Paper
IRCB	Institutional Reform & Capacity Building
LPA	Lomé Peace Accord
LRRD	Linking Relief, Rehabilitation and Development
LURD	Liberians United for Reconciliation and Democracy
MoDEP	Ministry of Development & Economic Planning
MoE	Ministry of Education
MDTF	Multi-Donor Trust Fund
MoHS	Ministry of Health and Sanitation
MRU	Mano River Union
MoTC	Ministry of Transport and Communications
MTEF	Medium Term Expenditure Framework
NaCSA	National Commission for Social Action
NCDDR	National Committee for Disarmament, Demobilisation and Reintegration
NCP	National Commission for Privatization
NCRRR	National Commission for Reconstruction, Resettlement and Rehabilitation
NIP	National Indicative Programme
NINGO	National Non-Government Organisation
NRC	National Recovery Committee
NRS	National Recovery Strategy
NRS	National Road System
NSAP	National Social Action Programme
OAU	Organisation of African Union (succeeded by AU)

OTI	Office for Transitional Initiatives
PASCO	Poverty Alleviation Strategy Coordinating Office
PCBS	Post Conflict Budgetary Support
PDP	Preventive Development Project
PIP	Public Investment Programme
ppp	Purchasing power parity
PRGF	Poverty Reduction and Growth Facility
PSMS II	Public Sector Management Support Project – Second Phase
QIP	Quick Impact Action Programme
REBEP	Rehabilitation of Basic Education Project
REPA	Regional Economic Partnership Agreement
RRP	Resettlement & Rehabilitation Programme
RSLAF	Republic of Sierra Leone Armed Forces
RTA	Road Transport Authority
RUF	Revolutionary United Front
SAPA	Social Action & Poverty Alleviation
SIP	Sectoral Import Programme
SLANGO	Sierra Leone Association of Non-Government Organisations
SLPP	Sierra Leone People’s Party
SLRA	Sierra Leone Roads Authority
SLRRP	Sierra Leone Rehabilitation & Resettlement Programme
SR	Sierra Rutile
SRRP	Support to Resettlement & Reintegration Programme
TEP	Training & Employment Programme
UNTRC	United Nations Truth & Reconciliation Commission
TSS	Transitional Support Strategy
UK	United Kingdom
UNAMSIL	United Nations Mission to Sierra Leone
UNHCHR	United Nations High Commission for Human Rights
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Family Planning
UNHCR	United Nations High Commission for Refugees
UNHDI	United Nations Human Development Index
UNICEF	United Nations Children’s Fund
UNOCHA	United Nations Office for Coordination of Humanitarian Affairs
USAID	United States Aid & Industry Department
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation

## **PART A: THE COOPERATION STRATEGY**

### **EXECUTIVE SUMMARY**

Sierra Leone has been affected by an armed conflict for most of the last decade (1991-1999), ending with the 1999 Lomé Peace Accord. Since then, the situation has progressively stabilised. Democratic elections were held in May 2002, resulting in the re-election of President Kabbah for a 5-year period and a clear majority for his Sierra Leone People's Party (SLPP) in Parliament. Presently, Sierra Leone is hosting the world's largest peace keeping mission (UNAMSIL), complemented by forces of the United Kingdom (UK).

Presently, Sierra Leone is facing a difficult post-conflict situation marked by fragile security, depleted infrastructure and a depressed economy. Its population is deeply traumatised by the atrocities of the preceding war and suffering from lack of basic social services. As a result of the conflict, but also due to poor management of public affairs in the preceding decades, Sierra Leone is presently in last place of the United Nations Human Development Index (UNHDI).

With 5 million inhabitants and an average GDP per capita of only 134 US\$/year (2000), Sierra Leone's economy is hardly diversified and remains highly dependent on its primary sector (agriculture, mining). The Government is committed to an economic and social reform programme supported by the international donor community. It has also gained access to debt relief under the HIPC initiative by reaching the decision point in March 2002. At the present state, Sierra Leone is still heavily dependent on external resources to balance its budget and to finance its effort for rehabilitation and reconstruction.

Sierra Leone's development strategy has been laid down in an Interim PRSP in June 2001, defining a short and a medium-term programme to achieve economic growth and reduction of poverty. The full PRSP, defining in more detail its long-term development strategy, is expected for June 2003.

The present Country Support Strategy for Sierra Leone is based on the country's development priorities as expressed in its Interim PRSP. It aims at the establishment of an efficient link between out-phasing relief action, ongoing rehabilitation programmes and long term development objectives. The support strategy will be adapted as necessary as the PRSP process moves forward and the national strategy is refined.

The 9<sup>th</sup> EDF indicative allocation in terms of programmable resources amounts to €144 million, while the B-allocation, destined for unforeseen needs which may arise, is €76 million, totalling €220 million for the 2003-2007 period.

The National Indicative Programme aims to contribute to the Government's efforts to implement its poverty reduction strategy and to re-launch its economy. The two focal sectors identified are (i) the rehabilitation of basic infrastructure (transport and social) and (ii) institutional support aimed at the improvement of key functions of public administration, including public finance. In addition, macroeconomic support will be provided in the framework of the ongoing economic reforms. Limited funds will also be available for complementary action in non-focal sectors.

## **1. EC COOPERATION OBJECTIVES**

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries and more particularly the most disadvantaged among them.
- The smooth and gradual integration of the developing countries into the world economy.
- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou, on 23 June 2000, which puts the main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the Community and Sierra Leone shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement – especially the principle of encouragement of the development strategies by the countries and populations concerned – and essential and fundamental elements as defined in Article 9.

In the statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education) particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries.

Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the national policy agenda presented in the next chapters constitute the starting point for the formulation of the present Country Strategy Paper, in accordance with the principle of national ownership of development strategies.

## **2. NATIONAL POLICY AGENDA**

### **2.1 THE BASE DOCUMENTS**

Sierra Leone's long term development objectives are laid down in the ten year "Action Programme for the Development of Sierra Leone 2001 – 2010", a document presented to the 3<sup>rd</sup> United Nations Conference of the Least Developed Countries in Brussels in May 2001. Four development goals were set out, namely to promote political and economic stability, to increase the welfare of the broad mass of people, to achieve a more equitable distribution of income and wealth and to attain a higher degree of self-sustaining economic growth.

Referring to these overall objectives, an Interim-PRSP was completed in September 2001, defining two distinct phases: one post-conflict transitional phase for 2001 and 2002, and one medium term phase from 2003 to 2005. In addition, the Government has recently prepared a National Recovery Strategy (NRC) which can be considered as a medium term investment programme complementing the transitional phase of the I-PRSP.

Sierra Leone's long term development programme will be refined and completed in the Full PRSP documents, expected for June 2003.

### **2.2 TRANSITIONAL PHASE OF THE I-PRSP**

Rebuilding the war-ravaged economy as well as addressing the urgent and basic needs of war victims are Government's utmost priorities in the transitional period of its Poverty Reduction Strategy. In this regard, emphasis is placed on the following objectives:

- (a) Restoration of security for life and property including the protection of human rights;
- (b) Re-launching the economy;
- (c) Provision of basic social services to the most vulnerable groups as well as enhancing access to productive assets.

The different measures and actions to restore security comprise the implementation of the Lomé Peace Agreement, the implementation of the Disarmament, Demobilisation and Reintegration (DDR) programme for some 45,000 ex-combatants, as well as a comprehensive set of measures to restructure security forces and to re-establish basic public administration throughout the country. These measures will be implemented in close coordination with the relevant United Nations organisations, international donors, NGO's and civil society.

With respect to the re-launch of the national economy, the Government recognises the maintenance of macro-economic stability as a pre-requisite to attain sustainable economic growth, essential for reducing poverty. Its short- and medium-term macro-economic strategy seeks to sustain the gains already achieved in reducing macroeconomic imbalances in the economy by continuing to implement sound fiscal and monetary policies, while ensuring the prudent management of financial resources.

The specific measures outlined in the IPRSP comprise increasing performance of fiscal policies (improving domestic revenues by strengthening revenue collection and expanding the tax base), major improvements in management of public expenditure, a market-oriented exchange rate policy and structural reforms concerning public enterprises. It is expected that the debt relief resulting from the HIPC initiative will accommodate these policies by making additional resources available for public investment. The transitional phase of the I-PRSP also provides for short-term support for the major productive sectors (agriculture, mining, basic infrastructure) in order to facilitate economic recovery.

Concerning the provisions of basic social services, the Sierra Leone Government will focus on education, health and water supply, as well as specially targeted operations concerning particularly vulnerable groups. Being outlined in the I-PRSP, the corresponding budgetary provisions have been made in the 2001 budget (Le 54 billion corresponding to 66% of expenditure for goods and services).

Social sector policies which the Government is committed to, aim to increase school enrolment and retention rates, improvement of the quality of basic education, reduction of maternal and infant mortality rates, to control the spread of HIV/AIDS and to improve housing and social safety nets.

According to the I-PRSP document, the Government is also committed to strategic actions dealing with the poverty of women and children through the formulation of a national gender-in-development policy. The main thrust of these actions is to empower women and young persons in rural and depressed urban areas through capacity building and employment creation. For children, their empowerment will be facilitated by the enactment of appropriate bills in accordance with the UN Convention on the Rights of the Child. Government has also recently approved the creation of the National Agency for War-Affected Children.

The Sierra Leone Government also recognises that a successful poverty strategy will depend on gender mainstreaming. In this regard, Government has approved specific policies for gender-mainstreaming and the advancement of women. It is committed to ensuring that gender-mainstreaming policies are translated, understood, disseminated and implemented by all sections of Sierra Leone society.

### **2.3 MEDIUM TERM PHASE OF I-PRSP**

For the medium term, the Government has defined its development framework by three broad programmes, as laid down in the I-PSRP document:

- (a) A Governance Reform Programme;
- (b) A Programme for the Revival of the Economy; and
- (c) A Social Sector Development Programme.

The Governance Reform Programme comprises a broad range of measures to restore public administration and basic services. It focuses in particular on the following measures:

- The reactivation of local government administration and decentralisation of central government functions including the restoration of paramount chiefs and conducting democratic elections in vacant chiefdoms and district councils;
- A public sector reform and capacity development for efficient and effective service delivery;
- Reinforcement of the judiciary and legal systems;
- Improved transparency and accountability to deal firmly with corruption.

In its programme aimed at the Revival of the Economy, the Government is committed to continuing the implementation of prudent fiscal and monetary policies in order to consolidate macro-economic stability, creating the basis for sustainable economic recovery and progressive improvements in living standards, especially for the poor.

With respect to the productive sectors, the primary objective of the government's agricultural policy in the medium term is to promote sustained growth of agricultural output in order to

restore food security and to generate agricultural tradeable surpluses. Concerning the transport sector, the overall objective of Government policy is to rehabilitate the transport infrastructure and transform it into an efficient, safe and reliable system. In the medium term, Government's role in the transport sector will be limited to that of regulator and provider of basic infrastructure (such as feeder roads). In this context, the capacity of the Sierra Leone Roads Authority (SLRA) for planning and sustainable maintenance of the road network will be strengthened.

The Social Sector Development programme schedules, in the medium term, to increase access to high quality basic education and to raise adult literacy, to complete the rehabilitation of school infrastructure as well as to expand these facilities in rural communities. Government will introduce compulsory and universal free primary education to enhance accessibility to basic education. It will also improve on the facilities in technical and vocational schools and institutes.

In its public health sector policy, the Government aims at the supply of quality, sustainable, accessible and equitable health care services for all. It is planned to expand and strengthen the decentralised network of reliable and quality facilities at the primary, secondary and tertiary levels as well as to improve the supply of drugs through cost recovery.

## **2.4 THE NATIONAL RECOVERY STRATEGY**

The National Recovery Strategy (NRC) sets out four priority areas for national recovery for the period 2002-2003. In coherence with the I-PRSP, the priority areas identified are restoration of state authority, rebuilding communities, peace building and human rights and the restoration of the economy.

The document also defines some precise benchmarks for the recovery process in the four target areas concerned. It has been presented by the Sierra Leone Government at a Consultative Group Meeting held in Paris, on November 13-14, 2002.

## **3. ASSESSMENT OF THE POLITICAL, ECONOMIC AND SOCIAL SITUATION**

### **3.1 POLITICAL SITUATION**

Since gaining independence from the United Kingdom on 1961, the political history of Sierra Leone has been marked by alternative civilian and military governments<sup>1)</sup>. The post-independence political scene has, and continues to be, dominated by the two main political parties: the Sierra Leone People's Party (SLPP) and the All People's Congress (APC). Five military coups have cut short the few attempts to bring multi-party democracy to the country.

The almost decade-long civil war (1991-1999) between Government forces and the Revolutionary United Front (RUF) has dominated Sierra Leone in its recent past. A part from the struggle for control of the lucrative diamond business, the root causes of the conflict are to be found in 25 years of economic mismanagement and corruption, the appropriation of a large parts of the country's rich natural resources by a small group of people, a very poor provision of social services and the marginalisation of large parts of the population.

The conflict that also affected neighbouring countries has lead one of the worst humanitarian crisis in recent African history, resulting in the displacement of almost two million persons

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<sup>1)</sup> See appendix 3 for key events.

over the time of the conflict. Some of the worst atrocities and human rights abuses have been committed on civilians during the war, leaving behind a traumatised and uprooted population.

To end the conflict, three attempts to negotiate peace have been pursued (1996, 1998 and 1999), the last culminating in the Lomé Peace Agreement of July 1999. This agreement has now been implemented with considerable support from the international community particularly through the mobilisation of the world's largest UN Peace Keeping Force (UNAMSIL), counting more than 17.000 troops. Completion of an ambitious disarmament and demobilisation programme was reached in early 2002 and paved the way for peaceful presidential and parliamentary elections held in May 2002, in difficult logistical conditions.

The vote resulted in a re-election of President Kabbah (70%) and in a broad majority for his SLPP in Parliament (83 out of 124 seats). It saw a large popular participation, with a turnout estimated at over 80%.

In September 2002, the mandate of the UNAMSIL force has been renewed for another six month period by a Security Council resolution that also provides an appeal for reduction of UNAMSIL by 4,500 troops within eight months as a part of an overall plan of its downscaling by 2004. The continued presence of the international community in Sierra Leone is still considered imperative for consolidation of peace and democracy.

As a result of the peace-keeping efforts, all provinces and districts are accessible and local authorities, even if to be strengthened, are in place again. District Council elections are scheduled for 2003 in a move towards the re-establishment of decentralised local government. Whilst public life has progressively come back to normal, a long and difficult process of national reconciliation is still ahead. The establishment and proper functioning of the UN Special Court and the Truth and Reconciliation Commission (TRC) are considered as key elements in this respect.

In spite of the return of peace and the clear outcome of the recent elections, Sierra Leone is faced to several major challenges with regard to its internal stability. Amongst these challenges, the proper functioning of national security forces and civil authorities, the establishment of accountable governance practices and the fight against corruption are crucial.

Concerning external factors, the ongoing conflict in neighbouring Liberia remains a potential source of instability. As a member of the Mano River Union, Sierra Leone is taking part in regional initiatives, with the support of the United Nations and ECOWAS, to stabilise the sub-region and to promote peace and reconciliation.

### **3.1.1 Humanitarian situation**

The humanitarian situation in Sierra Leone has progressively improved since the end of the armed conflict. Nevertheless, recent estimates (Sept. 2002) indicate that some 220.000 returnees and about 60.000 Liberian refugees are still in a very vulnerable situation<sup>2)</sup>. In addition, a considerable number of Sierra Leonean refugees are still staying outside the borders, of which some 30,000 in Liberia and about 70,000 in Guinea, 45,000 of which living in camps.

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<sup>2)</sup> Continuing instability in the western parts of Liberia has recently lead to the influx of new refugees into the Eastern Province of Sierra Leone.

The resettlement of returning populations, especially in the Eastern Region, is still ongoing but UNHCR and humanitarian organisations report that many of these refugees are reluctant to return to Sierra Leone because of the lack of infrastructure and poor employment perspectives.

The number of mutilated persons, as victims of extreme atrocities committed during the conflict, is difficult to establish but most estimates agree that at least 1,000 – 1.500 persons are permanently handicapped and continue to require specific assistance that is mainly provided by specialised humanitarian organisation.

Most of the returnees and IDPs in the rural areas have benefited from support by the different international humanitarian organisations, including access to seeds and tools to resume agricultural activities. FAO estimates though that some 30.000 people have not been covered by preceding programmes and still lack basic inputs for agricultural production.

### **3.1.2 Human Rights Situation**

Since independence, restrictions on civil and political rights have been frequent. During the civil war, the Sierra Leonean population suffered from some of the worst human rights violations ever witnessed including abduction, rape, torture, mutilation and indiscriminate killings. Recruitment of child soldiers by all sides in the conflict was widespread.

In an effort to end the cycle of impunity, a joint United Nations/Sierra Leone Special Court and Truth and Reconciliation Commission has been set up in 2002. It remains to be seen how many cases will be brought in front of the court and to what extent the process will assist the healing and reconciliation processes.

Under the present elected government there is no evidence of deliberate violations of basic human rights. The Constitution prohibits discrimination on the base of race and ethnicity. Media are free and report critically on the government, and people are free to express their opinion, to meet and to form political and other organisations<sup>3)</sup>. Occasional clamp-downs on the media and political organisations have nevertheless occurred in the recent past. There are no restrictions on religious activities.

Gender inequality continues to be a problem mainly in customary law. Female genital mutilation is widely practised, and especially in rural areas, women do not have equal access to education, health facilities, economic opportunities or social liberties.

Sierra Leone has ratified the Rome statute for the establishment of the International Criminal Court (ICC).

### **3.1.3 Rule of Law and Good Governance**

The 1991 Constitution provides for a set of democratic institutions separating powers and providing for checks and balances and accountability mechanisms. The parliament is comprised of 112 members and 12 elected Paramount Chiefs. The President, elected by popular vote, appoints ministers and chairs meetings of the Cabinet. The legal system is based on English common law as well as customary law.

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<sup>3)</sup> In a ranking of freedom of press published by Reporters without Frontiers (RSF) in October 2002, Sierra Leone ranked 72<sup>nd</sup> out of 139 countries monitored (compared to Guinea, 79<sup>th</sup> and Liberia, 109<sup>th</sup>).

An Anti-Corruption-Commission and the Office of the Ombudsman have recently been established. It remains to be seen whether the work of the anti-corruption Commission can tackle the widespread corruption and patronage endemic in the public administration.

The office of the Attorney General is not separated from the Minister of Justice and the judiciary shows institutional weaknesses, especially in rural areas. The judicial system is frequently criticised for being partial, selective and restricted to only a few. The provincial justice system is poor and most people have little or no access to it.

The Auditor General's office is not independent and its powers weakened by a 1996 military Decree and institutions mandated to control the administration are hampered by inappropriate regulations or the lack of resources.

## **3.2 ECONOMIC & SOCIAL SITUATION**

Decades of bad governance and war-related disruption, destruction and decline left Sierra Leone in 2000 with only one third of the GDP per capita compared to the peak in 1970. 82% of the population are living below the poverty line<sup>4)</sup>. With an average per capita income of US\$ 130 in 2000 and most of the social/economic infrastructure destroyed, Sierra Leone finds itself at the bottom of the Human Development Index. Today, the potentially rich economy (agriculture, mineral resources, including diamonds, iron ore, bauxite, and others) is still largely depleted and urgently needs adequate policies and massive resources to recover.

### **3.2.1 The Structure of the Economy**

Sierra Leone's economy is marked by the important role of the primary sector, with agriculture contributing 47% to GDP. Industrial mining (titanium dioxide) which provided for most of government revenue before the civil war is expected to restart in late 2003, providing employment opportunities. Alluvial diamond mining continues to play an important role especially in the eastern/southern parts of the country but still suffers from lack of control by Government authorities and extended smuggling<sup>5)</sup>. There presently is little or no economic viability in reopening the iron ore and bauxite mines with current world market prices, low ore content and low reserves.

Despite war-related interruptions, agriculture continues to be the most important sector in terms of contribution to the GDP as well as to employment. The main cash crops, coffee and cocoa, have been devastated and have yet to recover their pre-war levels. Future development of agriculture requires a policy that encourages and supports local production as well as improvement of cultivation methods and the provision of road infrastructure, markets, functioning extension services and improved crops.

Sierra Leone currently lacks a comprehensive official statement of fisheries policy. Therefore, Sierra Leone's fisheries resources are inadequately and incorrectly exploited. Developing a comprehensive policy framework, investment code and outline national fisheries plan is a

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<sup>4)</sup> See also appendix 1 and 4 for key development and economic indicators.

<sup>5)</sup> Sierra Leone officially supports the Kimberley Process. In spite of the introduction of an official licensing system, it is estimated that still four fifth of Sierra Leone's annual diamond production is exported illegally, depriving the country of substantial tax revenue. Given the official tax of 3% on exports, the diamond mining sector presently contributes less than 1 % to domestic revenues. The contribution to employment of non-official diamond mining is considerable (250,000 – 500,000 workers, according to estimates), but still implies widely unregulated working conditions.

short-term priority. Management plans should be developed for each of the main fisheries as a priority in the longer-term.

The manufacturing sector is poorly developed and accounts for less than 5 % of GDP (cement, drinks, paint, soap, furniture). Services, including the public service, by far the largest employer, account for 23.0 % of GDP. Foreign investment has largely disappeared from Sierra Leone as a result of the conflict and an unfavourable environment, including rampant corruption.

Additional employment, government revenue and export earnings could result from oil exploration as international oil companies have manifested an interest in exploiting offshore sites.

### **3.2.2 Macroeconomic Performance**

Recognising the importance of maintaining macro-economic stability for sustainable growth, the Government is presently implementing a structural reform and macroeconomic stabilisation policy with the support of the IMF who agreed a three year US\$ 172m Poverty Reduction and Growth Facility in 2001. In the course of the implementation of the programme, the Government showed continued commitment to maintaining macroeconomic stability and economic reform.

Having declined by an average rate of 6% per annum from 1995 to 1999, the GDP turned to a 3.0% growth in 2000. This positive trend continued in 2001, with an estimated GDP growth of 5.4%. For 2002, a GDP growth rate of 6-7% is expected.

From triple digit inflation rates in the early nineties and still 34 % in 1999, inflation has been brought down to 2.2 % in 2001. The inflation rate is projected to be below 5% in 2002.

The national budget remains highly dependent on external funding. In 2001, domestic revenue covered only 47% of total expenditure. Though domestic revenue doubled between 2000 and 2001, it still remains extremely low. 67% of revenue is derived from import duties. In 2001, the overall deficit amounted to 17.3% of GDP (excluding grants) but is expected to increase to 22.4 % in 2002. This gap is being financed through grants as well as foreign and domestic loans. The 2003 budget is based on higher than ever foreign and domestic loans. In order to close the financing gap foreseen in the 2003 budget, Government will depend on a substantial increase in foreign grants.

In March 2002, Sierra Leone achieved the decision point of the enhanced HIPC initiative, rendering considerable debt reduction accessible (\$ 950m in nominal terms, \$ 600m in terms of Net Present Value), before and after reaching the HIPC decision point. With HIPC resources available from 2002, the previously unsustainable debt service based on a total of US\$ 1.2 billion (NPV = 125% of GDP and 1753% of domestic revenues, end-2001) will be reduced significantly. If the country remains on track with the IMF and World Bank, substantial additional resources will be available for the implementation of its Poverty Reduction Strategy.

Foreign trade dropped substantially during the 1990s. In 1992 total exports amounted to US\$ 149m (mainly bauxite, rutile and diamonds). By 1999 exports had dropped to US\$ 4.5m. The recovery in 2001 to US\$ 28.1 m is solely based on diamonds (93%). Imports exceeded exports by a factor of 18 in 1999 and by 7 in 2001, leaving a huge trade deficit.

As Sierra Leone's main trading partner, the European Union accounted for 70% of exports and 45% of imports. Both imports and exports are expected to grow in the near future. The

Everything but Arms initiative and trade liberalisation within the sub-region in the framework of Regional Economic Partnership Agreements offer additional opportunities for the promotion of foreign trade. However, regional integration remains severely hampered by the unstable situation in neighbouring Guinea and Liberia and insufficient regional transport infrastructure.

Sierra Leone intends to maintain a stable macro-economic framework, and has announced crucial steps in the promotion of private sector activities, privatisation of public enterprises, attraction of Foreign Direct Investment and the promotion of foreign trade in order to reduce the present high level of dependency on external support.

The international donor community has largely acknowledged Sierra Leone’s positive macro-economic track record over the 2000 – 2002 period and confirmed its commitment to further support to the economic reform programme on the occasion of the November 2002 CG meeting in Paris.

**3.2.3 Social Situation**

It is estimated that more than 80% of the population of Sierra Leone are living below the poverty line of US\$ 1 per day<sup>6)</sup>. In the early 1980s, when the last household survey and poverty profile were carried out, poverty was widespread although its incidence and severity were higher in rural areas. The northern Province has traditionally had the largest proportion of poor. In the last decade, the disruption of economic activity, the destruction of physical and social infrastructure and the displacement of population have increased poverty and probably altered its regional distribution.

As a result, Sierra Leone is now at the bottom of the ranking of the 173 countries in the 2002 UN Human Development Index. The social indicators have deteriorated or remained unchanged over the past decade and decreased, in relative terms, as compared to the Sub-Saharan average. Box A shows trends in social indicators over the last decade.

Box A: Trends in Social Indicators

	1992	2000
HDI Rank	173/174	173/173
Life Expectancy	39	38,9 <sup>7)</sup>
Adult Literacy Rate	28,7 %	36 %
Access to safe water	37 %	34 %

Source: UNHD Report 2002

An up to date census has yet to be carried out but out of an estimated population of 4.5 million, Freetown has more than doubled to over one million illustrating a significant population movement from rural to urban areas. This increased urban population is having a

<sup>6)</sup> The I-PRSP provides a detailed analysis of the profile of poverty in Sierra Leone (pages 18-25).  
<sup>7)</sup> A report released by the WHO in October 2002 indicates that the average life expectancy in Sierra Leone has gone down to 34.2 years, being thus the lowest in the world.

negative impact on the environment. Subsistence farming with the traditional 'slash and burn' approach and uncontrolled deforestation are also increasing environmental problems.

Centralisation of government in the early 70's and the prevalence of corruption have contributed to a chronic lack of social service provision, namely health and education. The effects of civil war have added to an already deplorable situation. Recurrent expenditure on health is less than US\$ 2 per capita/year whereas the WHO defines its minimum standard as US\$ 12 per capita/year.

During the conflict, health facilities were destroyed, human resources withdrawn, equipment and medicines looted by the rebels. It is estimated that only 34% of the population has presently access to health facilities, primarily in the Western Area. Maternal mortality and morbidity rates are the highest in the world. Under-five mortality rates have risen over the last decade and now stand at 316/1000.

Primary school enrolment rates fell significantly during the conflict: from an estimated 53% (1970) to 33% (1997). Destroyed schools, a shortage of teachers, low teaching standards and non-existent materials all contributed to a generation of uneducated youth. In Freetown, private schooling is available for those who can afford it. Adult literacy rates are estimated at slightly over 30%, with female percentages estimated at 6% in all categories, well below men.

Women do not have equal access to education, health facilities, economic opportunities or social freedoms. Women perform much of the subsistence farming in rural areas and have little opportunity for formal education. An estimated 90% of girls undergo the practice of female genital mutilation at risk to their health. Violence against women is common including wife beating and police are unlikely to intervene as domestic violence is not recognised as a societal problem.

### **3.3 SUSTAINABILITY OF NATIONAL POLICIES AND MEDIUM TERM CHALLENGES**

Achieving sustainability of national policies is a difficult challenge for a post conflict country with depleted infrastructures, low tax revenues and weak public services. Government objectives concerning macro-economic and fiscal performance may appear to be too optimistic, given the wide range of problems faced by a country emerging from 10 years of civil war and disruption. However, it has to be recognised that the government managed to maintain a significant degree of budgetary and fiscal discipline even over the most difficult periods when large parts of the county were beyond its control. The country had the full support of the Bretton Woods Institutions throughout this period and is expected to continue receiving donor support to fill the existing financing gap until the re-establishment of economic circuits generates fiscal revenues at appropriate levels.

Concerning strategic orientations, SLPP's vast majority in Parliament after the 2002 elections increases the probability that the present reform policies and strategies will be maintained. The reorganisation of the security forces, the reestablishment of the rule of law, good governance and an independent judiciary are pre-requisites for the sustainability of development policies.

The quality and realism of the full PRSP under preparation will be decisive for the implementation of future development policies and donor support for its funding. The time frame for recovery is at least 10 years and Government expects donor support to be kept at current levels for the time being. This does not imply that sustained donor support is a sufficient condition for recovery. Exports will have to grow, fiscal discipline has to be maintained and recurrent expenditure has to be adapted to prevailing levels of domestic

revenue. Civil service reform will have to include a review of salaries more in line with the private sector and downsizing in terms of numbers.

Another challenge is the creation of an environment conducive to attract private sector investment, necessary, amongst other factors, to induce economic growth. Attracting private investment needs improvements in the security and justice systems, the legal framework covering labour and investment laws, the availability of a qualified workforce, adequate land tenure laws and the maintenance of a market driven exchange rate system for the Leone.

The policies contained in the I-PRSP have been the subject of a thorough debate by a society ravaged by war. But they remain short and medium-term policies. As the situation will further normalise, the sustainability of these policies will depend on the implementation of sound long-term development policies within a stable economic framework and the mobilisation of sufficient financial resources. It will also require a broad consensus with the civil society and a constant reviewing mechanism, by the broadest cross section of stakeholders.

A fully functioning Parliament including a vital democratic opposition, a stronger civil society and increased participation of women in political life will all contribute to sustaining the policy environment in the medium term.

## **4. ASSESSMENT OF PAST AND ONGOING COOPERATION**

### **4.1 PAST AND ONGOING COOPERATION**

Under the Lomé Conventions (4<sup>th</sup> to 8<sup>th</sup> EDF), some 400 M€ have been allocated to Sierra Leone. The allocations have steadily increased since 1975 from an allocation under Lomé I (4<sup>th</sup> EDF) of some 29 M€ to an indicative amount of 144 M€ under the Cotonou agreement (A-envelop of present NIP). The one exception is a reduced allocation under Lomé IV<sup>bis</sup> of some 78 M€ owing to Sierra Leone's ineligibility for receipt of the second tranche of funds.

By September 2002, the 7<sup>th</sup> EDF had been committed up to 90%, with secondary commitments reaching 58% and payments 48%. The 8<sup>th</sup> EDF programmable resources have been committed up to 87% but secondary commitments remain at 24% and payments at 17.7%. On 7<sup>th</sup> and 8<sup>th</sup> EDF commitments, more than 100 M€ are still to be disbursed, stemming from preceding indicative programmes<sup>8)</sup>.

Under the 7<sup>th</sup> EDF, Community support has focussed on the road and power sectors, rural development and various ad hoc technical assistance, fisheries and microprojects programmes. Under the 8<sup>th</sup> EDF, funds have been concentrated on the following sectors: Support to Public Sector Reform, Good Governance, Democratisation and Human Rights (20%); Rehabilitation and Development of Social Sectors (35%); Infrastructure (30%). The emphasis of the 8<sup>th</sup> Indicative Programme, signed in 1998, was put on post-war reconstruction of infrastructure, particularly in social sectors, and on economic recovery. Since the last major attack of the RUF on Freetown occurred shortly after the signature of this programme, its implementation has been delayed and rehabilitation works in certain districts can only be envisaged under the 9<sup>th</sup> EDF programme.

Sierra Leone has substantially benefited from non-programmable resources. For the 1993-1996 period, Stabex funds amounting to some 10.0 M€ (under 7<sup>th</sup> EDF) and 4.8 M€ (under 8<sup>th</sup> EDF) have been allocated to Sierra Leone for losses incurred in the coffee and cocoa sectors. The 8<sup>th</sup> EDF transfer remains committed but unallocated.

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<sup>8)</sup> This figure can be related to the amount of overall disbursements of EDF funds in 2001 (14.3 M€).

Allocations under the Structural Adjustment Facility have reached 12 M€ under the 7<sup>th</sup> EDF and 30.4 M€ under the 8<sup>th</sup> EDF and mainly been allocated as Post-Conflict Budgetary Support (PCBS).

Since early 2001, the disbursements under the macro-economic support programme have been suspended in light of the negative results of an EDF-funded audit that was carried out in early 2001 and covered past Stabex programmes as well as 7<sup>th</sup> and 8<sup>th</sup> EDF budgetary support. Essentially, some €6.1m was deemed to have been ineligible expenditure for EDF funding. Negotiations on this issue have been held in Freetown in October 2002, resulting in an agreement for the reimbursement of the funds concerned and the implementation of a matrix of corrective measures allowing to resume budgetary support. The second tranche of the PCBS programme (18.0 M€), not disbursed until then, can thus be disbursed in early 2003.

Related to the armed conflict and the resulting humanitarian crisis, substantial amounts of non-programmable Community-funded aid have been allocated to Sierra Leone, including humanitarian relief action, implemented by the Commission's Humanitarian Office (ECHO), and other instruments. The activities funded have mainly been implemented by international NGOs and specialised UN agencies. Emphasis was put on linking relief, rehabilitation and development programmes financed by the Community and other donors<sup>9)</sup>.

From 1999 to 2002, ECHO provided humanitarian aid worth about 44 M€ in support to war-affected populations in Sierra Leone. The ongoing ECHO programme concentrates on water & sanitation, health & nutrition, the supply of non-food items to support the resettlement process. Child protection and overall coordination efforts as well as database mapping are also supported. Projects include support to UNHCR for resettlement of Sierra Leone returnees and a Liberian refugee caseload. For 2003, an allocation of 9 M€ has been approved. Assuming further improvement of security and living conditions, ECHO envisages a gradual phasing-out of humanitarian aid to Sierra Leone towards 2004.

Over recent years, the Commission's food aid budget line has implemented a number of significant projects to re-launch agricultural production, namely by distribution of seeds and tools in resettlement areas. From 1996-2002, 9.2 M€ have been allocated to Sierra Leone via international NGOs, whereas some 18.0 M€ have been used in the same period to finance food distribution and related activities implemented by the World Food Programme (WFP).

In addition, the European Initiative for Democracy and Human Rights (EIDHR) is presently financing a range of projects promoting democracy and the respect of human rights (approx. 5.0 M€). These projects include support to the reintegration of child soldier and of victims of torture<sup>10)</sup>. For the coming three years, an indicative amount of another 6.0 M€ is earmarked for EIDHR projects in Sierra Leone, including support to the Truth and Reconciliation Commission (TRC).

#### **4.2 STOCKTAKING OF LESSONS AND PAST EXPERIENCE**

A changing security and political situation in Sierra Leone during the last decade has considerably hampered or delayed the implementation of many projects and programmes under the 7<sup>th</sup> and 8<sup>th</sup> EDF.

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<sup>9)</sup> Appendix 5 and 6 give an overview of ongoing and scheduled Community-financed projects and programmes by instrument. These appendices also provide the indicative timing of phasing out of relief and emergency programmes in the framework of the LRRD approach implemented by the Commission.

<sup>10)</sup> See appendix 6 for ongoing and scheduled projects financed by EIDHR.

Additional constraints for implementation have been unclear, sometimes outdated, sector policies, lack of ownership and of effective donor coordination as well as insufficient local capacity to implement donor-funded programmes.

As regards projects themselves, experience and evaluations have shown that a degree of design simplicity and flexibility linked to the establishment of clear objectives are necessary. In addition, the maintenance of a constructive dialogue with the Government is crucial if sustainable results are to be achieved. Close monitoring and systematic auditing are similarly necessary. This approach needs to be maintained now that Sierra Leone has entered a post-conflict phase where uncertainties and unpredictable changes in circumstances may demand quick response mechanisms and flexibility.

A number of past projects, particularly in the agriculture and artisanal fisheries sectors, have had insufficient recognisable impact. Some have been interrupted for security reasons and - in the case of a large multi-component agricultural project - abandoned or simply been closed. On the other hand, the most successful projects in the past, namely the rehabilitation and resettlement programmes (including road infrastructure) and technical assistance to the Ministry of Finance, have benefited from a clearer, simpler design and objectives, a closer dialogue being held with the Government and competent project staff.

The armed conflict and resulting humanitarian crisis have made Sierra Leone a case where different instruments of Community-funded cooperation have intervened in parallel. In fact, an important part of EDF-funded programmes have slowed down or been suspended due to the prevailing security situation, whereas humanitarian and other short term relief has been stepped up as a response to emergency-related needs. Coordination of these instruments, particularly in the field, has shown to be efficient in most cases even if shortcomings have been observed.

Flexibility in allocation of EDF funds (contribution to DDR trust fund, post-conflict budget support, Resettlement and Rehabilitation Project) have allowed to respond to a rapidly evolving situation and changing priorities. In this respect, the EC-cooperation with Sierra Leone over the past five to six years has delivered some meaningful lessons for the implementation of an efficient LRRD approach.

In the case of other programmes, however, where this flexibility has not been possible or where claims have remained unsettled for a long time, funds have been frozen or remained unused for excessively long periods.

### **4.3 EUROPEAN INVESTMENT BANK (EIB)**

Since inception of the Lomé Convention in 1976, the European Investment Bank (EIB) has granted finance for only one operation in Sierra Leone, in the form of two loans (€7.5m under Lomé III and €8.0m under Lomé IV both signed in 1992). The intervention was in favour of the National Power Authority for the rehabilitation of the Kingtom Power Plant and the Freetown distribution network, with co-financing from the WB and the EDF.

Under Lomé IV another potential operation in the mining sector (Sierra Rutile) was identified but could not be implemented. The EIB had to discontinue its activities in Sierra Leone due to the civil war and later, in 1997, due to accumulating government payments arrears. As of September 2001 government arrears stood at €6.3m (€4.0m EIB and €2.3m EDF special loans) and EIB cooperation with the public sector in Sierra Leone will remain suspended until full settlement of arrears. Such a settlement could possibly be reached in 2003.

#### **4.4 OTHER DONORS AND DONOR COORDINATION**

An overview of EU Member States' cooperation programmes, along with those of other donors, is provided in Appendix 7. The UK, being the only EU Member State with full representation in Sierra Leone, has recently agreed with Sierra Leone Government on a ten-year Poverty Reduction Framework Arrangement, covering the period from 2002 to 2012<sup>11)</sup>. Austria, Denmark, France, Ireland, Italy and Sweden are represented at Honorary Consul level, whereas Germany has a liaison office in Freetown.

The main public donors involved in Sierra Leone are the Bretton Woods Institutions and other specialised UN agencies, EU (mainly the Commission and UK/DFID) as well as USAID and the African Development Bank. Donor coordination has been close given the specific post-conflict situation. To achieve this, and in addition to on-the-spot coordination of agencies represented in Freetown, a number of coordination meetings took place over time and allowed to coordinate on major issues such as the demobilisation process, economic recovery and the PRSP<sup>12)</sup>.

UNOCHA is responsible for the Consolidated Inter Agency Appeal Programme (CAPs) aiming to streamline donor priorities for UN Agencies. Coordination meetings are conducted with donors and GoSL throughout the year to better assess requirements and priorities. In turn, Government has improved coordination of aid by the creation of specific bodies, including the National Recovery Committee (NRC) and a National Economic Policy Council.

An NGO policy document was initiated in November 2000 to be implemented by MoDEP, streamlining and coordinating humanitarian aid by INGOs and local NGOs funded bilaterally or multilaterally. The technical ministries concerned are consulted and forward approved projects to MoDEP, prior to implementation in a concern to ensure compatibility with overall strategies of the Government.

The Consultative Group Meeting on November 13<sup>th</sup> and 14<sup>th</sup>, 2002, has confirmed donor's commitment to support Sierra Leone but it also became obvious that some, mainly bilateral donors, had relatively little additional resources available for support to long-term development programmes, beyond their current support for humanitarian relief and rehabilitation. The EC contribution from EDF funds will thus be highly complementary to ensure the link between out-phasing relief action and more continuous support to rehabilitation and development.

### **5. THE RESPONSE STRATEGY**

#### **5.1 POLICY OBJECTIVES**

The present country support strategy for Sierra Leone takes into account the following factors, as described in more detail in the chapter above:

- Despite being a country with a rich endowment of natural, mineral and fishery resources, Sierra Leone has become, through decades of mismanagement of the economy followed by ten years of civil war, one of the least developed countries in the world.

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<sup>11)</sup> A commitment of 120M£ for the first three years of implementation of this framework has been announced by Britain's Secretary of State for International Development in November 2002.

<sup>12)</sup> Major meetings were held in Accra (June 2000), Freetown, (February 2001 and 2002), and Paris (June 2001).

- The economy has shrunk over time, with a 40% decline in GDP per capita during the period of the conflict; the export base has been reduced to minimum levels by destruction of assets and smuggling, and ten years of conflict have resulted in the deterioration of basic infrastructure.
- Sierra Leone is presently at the very bottom of the human development index of the United Nations. Life expectancy at birth is among the lowest in the world; infant mortality is extremely high; the level of education has declined, malnutrition has critically affected vulnerable groups and the massive displacement of population, both internally and abroad, has exerted considerable strain on the social fabric of society.
- Long-term cooperation programmes have been slowed down or interrupted by the conflict and are presently resuming, whereas a large array of short-term relief action is still ongoing with support of various donors, including the European Community.

With peace returning throughout the country, it is essential that Sierra Leone addresses the social root causes of the rebellion, and particularly the marginalisation of large parts of its population that have been deprived of access to basic education, health services and employment. As this is largely a consequence of decades of corruption and bad governance, tackling the issue of governance is expected to contribute to eliminating the causes of discontent that constituted the ground for rebellion.

Considering this particular context, and referring to the country's Poverty Reduction Strategy, the present support strategy is focussing on support to the Government's efforts to rehabilitate the country's basic infrastructure on the one hand, and on good governance and institutional strengthening on the other. Moreover, in consideration of the need for the country to re-launch the functioning of its administration and the provision of social services, the continuation of budgetary support remains a necessity for the coming period.

As the country is emerging from a decade-long armed conflict, the present strategy also aims at the establishment of an efficient link between short-term relief and rehabilitation efforts towards long-term development cooperation. Assuming that security and the humanitarian situation will further improve, humanitarian relief is expected to be phased out by 2004. The present support strategy is thus designed to relay out-phasing short-term relief and resuming 8<sup>th</sup> EDF financed programmes in the area of rehabilitation with support for more long-term oriented development.

As shown in appendix 6, an important number of Community-financed aid addressing short-term humanitarian problems is presently under implementation. At the same time, two major programmes funded by the 8<sup>th</sup> EDF (2<sup>nd</sup> phase of the Resettlement and Rehabilitation Programme and the Health Sector Support Programme) that provide significant financing for rehabilitation and social service recovery, will continue for at least another three-year period. These two main programmes, but also the resuming post-conflict budgetary support from 8<sup>th</sup> EDF resources, will ensure the continuum between emergency relief and rehabilitation. The 9<sup>th</sup> EDF-funded support, with first disbursements scheduled for 2004, will then complement to cover rehabilitation needs and contribute to improvement of the institutional framework.

Other sectors where EC co-operation has intervened in the past, will not be covered by the present strategy either because the past programmes could not be completed satisfactorily, or because they are covered by ongoing activities and/or other instruments of co-operation. This is particularly the case as regards the re-launching of agricultural production and the food sector to which the Government attributes utmost importance in the present phase. In fact, the

agricultural sector still benefits from the EDF-funded Resettlement & Rehabilitation Programme (RRP) which also targets the rehabilitation of basic infrastructure in rural areas<sup>13)</sup>.

The agricultural sector is also supported from the Commission's food security budget line that is contributing to distribution programmes of seeds and tools. When the ongoing financing comes to an end, the Commission will consider the need and advisability to replicate these programmes in other districts (namely the ones only recently liberated from rebel occupation), according to the programming procedure of the budget line concerned.

## **5.2 COHERENCE AND COMPLEMENTARITY**

The chosen sector priorities are fully in line with the development priorities as defined by Government for the transition and the medium term phases of its I-PRSP (see chapter 2.1 and 2.2). Moreover, they represent the logical continuation of the Community's co-operation strategy initiated during the 8<sup>th</sup> EDF, by moving from emergency relief to rehabilitation and further on to long-term development.

The strategy has been conceived in full co-ordination with the programmes of other donors present in Sierra Leone, in particular with regard to the Member States of which only UK presently runs a substantial programme. It also builds on comparative advantages acquired by the Community's co-operation with Sierra Leone in the past, particularly in the field of road infrastructure and the implementation of road maintenance policy. It also benefits from experience in the field of governance and institutional support to the Ministry of Finance, and numerous activities aimed at strengthening political participation (electoral support, voter education).

The November 2002 CG meeting has also confirmed that the present approach to improve basic infrastructures, contribute to the improvement of governance and budget support are in line with Sierra Leone's development priorities and complementary to other donor support programmes.

Sierra Leone has been selected a focus country under the European initiative for Democracy and Human Rights for the period 2002-2004. Specific projects in this sector, complementary to the present support strategy, are thus expected to continue, as well as the financing by the food security budget line.

The implementation of the Community's strategy will be based on close co-ordination with other donors, in particular in the field of institutional strengthening and good governance as well as in the support to the establishment of decentralised levels of Government. In the field of budgetary support, the intervention of the BWI, the UK and the Commission will continue to be complementary.

With regard to demobilisation and reintegration, co-ordination has been operated so far by the multi-donor trust fund for Disarmament, Demobilisation and Reintegration (DDR), with the World Bank acting as "Chef de File". In future, this co-ordination will be pursued with all donors involved in rehabilitation. The EC has financed demobilisation of child combatants through UNICEF in the recent past from its own budgetary resources and may continue this activity, if complementary funds are required within the existing coordination framework.

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<sup>13)</sup> The second phase of the programme started in 2002 and will overlap with the implementation period of the 9<sup>th</sup> EDF. See appendix 5 for an overview of ongoing projects.

Concerning the food security sector, co-ordination will be continued with the intervention of UN agencies, particularly FAO which is going to restart the updating of the agricultural masterplan, and IFAD which plans to re-launch the northern Region Agricultural project and WFP to which the EC remains an important contributor.

### **5.3 1<sup>ST</sup> FOCAL SECTOR – REHABILITATION OF PRIORITY INFRASTRUCTURE**

In full accordance with the IPRSP, rehabilitation of priority infrastructure will be the first focal sector of the present strategy, thus contributing to re-launch Sierra Leone's economy and re-establish basic social services. In a country where entire regions have remained beyond rebel lines for years, re-establishment of links and communication between regions is a paramount political priority to reconstitute national integrity.

Rendering possible road transport throughout the country, making markets and basic social services accessible again, are considered as key for economic rehabilitation and for the reduction of marginalisation and regional disparities that partly explain the preceding conflict. Moreover, rehabilitating infrastructure will contribute to ease problems of youth unemployment, one of the urgent preoccupations of the government.

The overall objective pursued in the 1<sup>st</sup> focal sector is to improve access to markets and social services<sup>14)</sup>. Two main areas are to be targeted by the program: Road transport infrastructure and social sectors, namely health and education.

The strategic approach for the intervention in the area of road infrastructure is based on policies and priorities as established by the Government in its recently updated National Transport Strategy and Investment Plan for the 2003-2007 period. This strategy has been elaborated with support of the World Bank and is referring to regional consultative conferences between stakeholders that have been carried out from December 2001 to March 2002. A second main orientation concerns the rehabilitation of rural feeder roads, improving the conditions for the re-launch of the agricultural sector, presently hampered by difficult access to inputs and high transport cost for marketed surplus. Finally, it is intended to improve regional integration by a financial contribution to a regional road project, i.e. the completion of the Freetown – Conakry highway project.

It has to be stressed that the contribution of 9<sup>th</sup> EDF resources will pursue and complement an ongoing 7<sup>th</sup> and 8<sup>th</sup> EDF program providing financial and institutional support to the national Road Authority (SLRA). For all works concerned by the programme outlined above, Community-funded operations will be designed to promote labour intensive working methods, involving local governments, and private sector participation. Special attention will be paid to the improvement of Sierra Leone's long-term capacities to ensure road maintenance from recurrent funding stemming from the road fund.

As far as the social sector infrastructure is concerned, the present strategy aims at completing the ongoing rehabilitation programs of priority social infrastructures (RRP) as well as the health sector support programme that includes a rehabilitation component. Specific projects will be determined according to Government priorities, in close coordination with other donors.

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<sup>14)</sup> The existing national policies within the transport, education and health sectors are to outlined in appendices 7(a), 7(b) and 7(c).

## **5.4 2<sup>ND</sup> FOCAL SECTOR - GOOD GOVERNANCE AND INSTITUTIONAL SUPPORT**

The second focal sector directly addresses the governance reform programme as outlined in the medium-term phase of the I-PRSP. The overall objective of EC intervention in this sector is a significant contribution to restore civil authority throughout the country, to consolidate democracy and to establish a participatory, transparent and accountable system of governance. The government clearly identified bad governance and corruption as being amongst the main causes that led to crisis and civil war.

Since restoration of performance and reliability of public administration are crucial for economic recovery, delivery of social services and confidence into government institutions, a set of institutional support activities are envisaged under this chapter of the 9<sup>th</sup> EDF support strategy. The activities foreseen will include support to the restoration of civil authority throughout the country, to the improvement of public finance management including auditing, and support to Sierra Leone's policy of decentralisation of administration and local governance. The latter, empowering local communities and deconcentration of administrative functions, is meant to overcome the policies of exclusion carried out by previous governments that led to marginalisation and discontent. The target of organising local elections in 2003 is considered very important in this respect.

Within the framework of commitment that Government has made in this area, main instruments of this support will consist of institutional strengthening (including training and equipment), technical assistance, studies and audits as well as support to key institutions such as the existing Anti Corruption Commission.

EC support will build on the specific experience acquired in these areas, including its long term support to the Ministry of Finance and the Accountant General under preceding EDF. Close co-ordination with the BWI, UK and other donors acting in this area will be assured in order to achieve maximum impact and coherence of the programme, in the context of ongoing economic and structural reforms.

## **5.5 MACROECONOMIC SUPPORT**

In the present post-conflict situation, Sierra Leone is still heavily depending on external budget support in order to finance the restoration of civil administration and public services as well as investment for reconstruction. To assist the Government in this effort, direct budget support will be mobilised as part of the 9<sup>th</sup> National Indicative Programme. The main objective of this measure is to contribute to poverty reduction by enabling the Government, via corresponding budget allocations, to deliver basic social services such as education and health to the poor segments of the population.

The Community's support will intervene as a direct aid to the State budget over an initial 3-year-period, accompanied by close monitoring of performance indicators, intended to measure the effectiveness of the implemented policies in the social sectors. Indicators as defined in the PRSP documents and those identified under point 6.6 will serve as benchmarks for the related monitoring process.

Taking into account the experience with precedent budget aid programmes, it is foreseen that collateral institutional support measures, including audits, will be implemented in order to assure maximum reliability of this instrument (see also 2<sup>nd</sup> focal sector). Financing agreements and their implementation will be closely co-ordinated with reform programs supported by the BWI and other donors in order to assure coherence and sound phasing of EC's budget support. Joint assessment of the reform process and of performance in budgetary management are envisaged as a part of donor coordination in this crucial area.

## 5.6 NON-FOCAL SECTORS

The Community's contribution in other than the focal sectors outlined above will include support to the strengthening of the civil society, to the negotiation process of Regional Economic Partnership Agreements (to be negotiated by ECOWAS) and to regional integration matters. It also comprises financing of studies, evaluation and audits not related to the focal sectors or of general interest for the EC – Sierra Leone cooperation.

Special initiatives or actions in support of the regional peace process, of conflict prevention or aimed to improve the human rights situation in Sierra Leone are also eligible for funding under this headline.

In addition, other instruments of Community-funded cooperation are expected to continue to support projects in Sierra Leone. This applies particularly to the ECHO humanitarian aid programme that is nevertheless scheduled to gradually phase out at medium term as well as to the Human Rights and the Food Security budget lines of the Commission. Finance from these instruments will however be decided in accordance with the Community's procedures for the budget-line concerned and will depend on the availability of funds. Activities financed should be in line with the relevant government policies.

A transfer of 8<sup>th</sup> EDF Sysmin resources (€ 25m) to the B-Envelope is included in the Indicative Programme outlined further on and will allow Sierra Leone to re-launch its rutile (titanium dioxide) mining sector, thus contributing to the generation of employment, budget revenue and foreign exchange.

A previous attempt to conclude a Fisheries Agreement with the EU led to the initialisation of an Agreement including a two years Protocol. The EC adopted the Regulation on the conclusion of this Agreement on 25 April 1990. However Sierra Leone's Minister of Fisheries rejected the Agreement and it never entered into force. Since then, the Government has requested in several occasions the opening of negotiations with the EC on a new Fishery Agreement and recently renewed that request.

Further to it, the Commission has recently consulted the Member States on their current interest on a Fishery Agreement between the EC and Sierra Leone. The Commission is ready to open exploratory talks to assess the mutual interest and possibilities of negotiating and actually concluding such an Agreement. However, before engaging in formal negotiations, the Commission needs as a prerequisite to complete an impact assessment study as well as an accurate evaluation of the Sierra Leone's fisheries resources, which ensure the sustainability of future bilateral co-operation in the fisheries sector.

A fishery agreement between Sierra Leone and the Community could be complementary to the overall co-operation strategy and further improve its impact. An eventual fisheries agreement would also contribute to some creation of employment and generation of budget revenue that could make an additional contribution to the implementation of Sierra Leone's Poverty Reduction Strategy.

Sierra Leone is member of ECOWAS. The ECOWAS region intends to establish an effective free trade area and to determine a common external tariff. ECOWAS has decided to negotiate an Economic Partnership Agreement (EPA) with the EU, and negotiations should begin in September 2003 at the latest. The strategy will therefore provide support to the Ministry of Trade in formulating and implementing trade policies, both at regional and multilateral levels, and in the context of the EPA.

## **5.7 EUROPEAN INVESTMENT BANK**

The Investment Facility managed by the EIB is the principal instrument of the Cotonou Agreement for long-term finance. It is structured as a revolving fund aiming at financial self-sustainability and disposing of an array of instruments, such as loans, quasi-equity participation, and the provision of guarantees. Operations will be financed, as a rule, on market-related terms.

The participation of the EIB to the economic and social development of Sierra Leone in the framework of the Cotonou Agreement will consist in providing long-term finance to promote growth of the private sector and to help mobilise domestic and foreign resources for this purpose. Upon clearance of government arrears, public entities will become eligible for EIB financing, providing they are commercially run and the projects they promote are conducive to the expansion of the private sector. Until then only private sector operations can be considered.

The Bank's approach in supporting long-term investment has been and will continue to be demand driven. The extent to which the Bank will be able to commit long-term resources to Sierra Leone's economy will therefore largely depend on the measures taken by the Government of Sierra Leone to create a positive investment climate.

## **PART B: INDICATIVE PROGRAMME**

### **6. NATIONAL INDICATIVE PROGRAMME**

#### **6.1 INTRODUCTION**

Based on the Cooperation Strategy presented in Part A, and in accordance with the provisions of Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up in a series of tables presenting the intervention frameworks for each focal sector, the indicative timetable for commitments and disbursements, and a detailed timetable of activities for all programmes envisaged within a 2 year rolling period.

Amounts mentioned in this chapter indicate the global breakdown of funds between the focal sectors, macroeconomic support and other programmes. This breakdown can be modified in the context of operational, performance or ad hoc reviews.

#### **6.2 FINANCIAL INSTRUMENTS**

The implementation of the cooperation strategy of the EC with Sierra Leone will be financed through different financing instruments. The following indicative amounts are presently envisaged:

##### **6.2.1 9<sup>th</sup> EDF A-allocation (€144 million)**

This indicative allocation is destined to cover the long-term development activities identified in the context of the response strategy, namely:

- |  |          |
|--|----------|
| i) Rehabilitation of Priority Infrastructure | 70.0 M € |
| ii) Good Governance & Institutional Support  | 19.0 M € |

iii) Macro-economic support	50.0 M €
iv) Non-focal sectors	5.0 M €

Balances remaining from previous EDF at the date of entry into force of the Financial Protocol as well as de-commitments made at a later stage, will be added to the above mentioned indicative allocation. These funds will be used for projects and programmes already identified under Indicative Programmes of preceding EDFs, for which no financial decision was taken before the entry into force of the 9<sup>th</sup> EDF. Remaining balances should be used to support projects and programmes in line with the priorities set out in this Indicative Programme.

### **6.2.2 9<sup>th</sup> EDF B-allocation (€76.0 million)**

An amount of €25.0 million is destined to finance on account of the 8<sup>th</sup> EDF, a Sysmin programme under preparation. The remaining of this allocation is to be used for unforeseen needs such as emergency assistance where support cannot be financed from the Community budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

### **6.2.3 Investment Facility**

Apart from the above mentioned financial instruments of which the A-allocation is the main programmable basis for the Indicative Programme, the 9<sup>th</sup> EDF includes also the “Investment Facility” as a financing instrument managed by the European Investment Bank. The Investment Facility does not form part of the Indicative Programme.

### **6.2.4 Other financing instruments**

Specific activities may be supported through the various Community budget lines, including, inter alia, NGO co-financing, decentralised cooperation, European Initiative for Democracy and Human Rights, food security and disaster prevention, and humanitarian and emergency assistance.

Sierra Leone has been selected a focus country under the European initiative for Democracy and Human Rights for the period 2002-2004. The priority areas to be supported in this period include the strengthening the capacity of the civil society organisation, the provision of human rights training for public officials, and the enhancement of the legal protection of human rights. Support for the Truth and Reconciliation Commission as well as the Sierra Leone Special court has also been envisaged.

Financing under the Commission’s budget lines will be decided in accordance with the procedures in place for each financing instrument and will be subject to the availability of funds, in line with the overall orientations given by the present country support strategy.

## 6.3 FOCAL SECTORS

### 6.3.1 Focal Sector N° 1 - Rehabilitation of Priority Infrastructure

The following specific objective shall be pursued:

“Improved access to markets and social services, particularly in the north and east of the country”.

Achievement of this objective will contribute to the re-launch of Sierra Leone’s economy and to the re-establishment of basic social services. It will also enhance income and living standards in the poorest communities. Three major results are expected from the programme:

- (i) Rehabilitation and maintenance of a selected road network;
- (ii) Improved access to rural areas and markets;
- (iii) Rehabilitation of priority rural health and education infrastructure.

For indicative purposes, approximately € 70 million will be reserved for this sector. The major interventions foreseen are:

- Rehabilitation and maintenance works: The National Transport Strategy and Investment Plan 2003-2007 details the network requirements as prioritised by the Sierra Leone Road Authority (SLRA). The support programme will be conceived to be complementary to the activities carried out under the ongoing 7<sup>th</sup> and 8<sup>th</sup> EDF support project to the SLRA and support by other donors.
- Refurbishment of selected sections of the Trans West African Highway.
- Overlaying of a section of the Freetown – Conakry Highway as a part of the Trans West African Highway. The rehabilitation of the road (gravel standard) is being financed under the 8<sup>th</sup> EDF.
- Rehabilitation of rural roads. Studies funded under the 8<sup>th</sup> EDF have commenced to identify up to 600 km of prioritised rural roads for rehabilitation. Prioritisation will be done as a function of projected benefits from increased agricultural production induced and social indicators such as improved access to health centres.
- Rehabilitation of priority social infrastructure. The present programme will contribute to the rehabilitation of health and education infrastructure in rural areas, in accordance with Government priorities and complementary to ongoing health sector programmes supported by the Community and other donors.

The major policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this sector are:

- a. Implement the Transport Strategy and Investment Plan 2003-2007, approved in August 2002;
- b. Ensure appropriate national funding of the Road Fund, including appropriate adaptation of the fuel levy, and its efficient and transparent operation.
- c. Implement annual programmes for the maintenance of the life-line network (approx. 2000km) and ensure long-term financing.
- d. Implement its policy of subcontracting maintenance and promotion of labour-intensive technologies.

- e. Continue its policy of improving the capability of local contractors.

### **6.3.2 Focal Sector N° 2 - Good Governance & Institutional Support**

The second priority sector is designed to support the efforts of the Government to consolidate a decentralised democratic system characterised by an effective social service delivery throughout the country and participatory, transparent and accountable governance with a strong civil society watchdog function. It will thus contribute to the creation of an institutional framework that enables sustainable economic and social development.

The following specific objective shall be pursued:

“Improved governance and financial management in priority areas”.

For indicative purposes, approximately €19.0 million will be reserved for this sector.

The major interventions foreseen are:

- Support the restoration of civil authority at central and peripheral level in crucial ministries and support to deconcentration of services in social sectors;
- Support the establishment of an accountable public finance management system, in particular through the support to the Accountant General’s office;
- Support specific initiatives considered as high priority for the period of the 9<sup>th</sup> EDF such as the Anti Corruption Commission;
- Support the decentralisation process and the organisation of local elections;
- Strengthen accountability mechanisms at state level and in civil society;
- Support the office of the NAO.

The major policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this sector are:

- a. GoSL commits itself to fight corruption and strengthen state accountability and control institutions.
- b. GoSL does not restrict governance-related activities of non-state institutions.
- c. GoSL remains committed to re-establishing a democratic decentralised system and to deconcentrate the provision of social services.

## **6.4 MACROECONOMIC SUPPORT**

The Community will support the efforts of the government to rebuild the economy of the country and to improve social service delivery.

The Community will support the macroeconomic reform programme of the Government. Special attention shall be given to the objective of poverty reduction, particularly with a view to ensuring equitable access to social services. Macroeconomic support shall be delivered under a three-year programme. Funds shall be disbursed on an annual basis.

If an annual disbursement is not realised within the time limits foreseen, the corresponding amount can be transferred to one of the other sectors of co-operation in the Indicative Programme. Such a decision can be taken in the context of the annual review.

For indicative purposes, approximately €50 million shall be reserved for this type of support.

The major policy measures to be taken by the Government as a condition to the implementation of the response strategy are:

- a. The Government maintains a close policy dialogue with the BWI and the EC;
- b. The Government is committed to remaining on track with IMF-funded reform programmes;
- c. The Government is committed to increasing expenditure in social sectors consistent with its Poverty Reduction Strategy and requirements to reduce poverty and to build capability;
- d. The Government remains committed to increase transparency and accountability of its public finance management system in line with the recommendations of the country financial accountability assessment;
- e. The Government reinforces the mandate, independence and resources of the Auditor General's Office.

## **6.5 NON FOCAL SECTORS**

An indicative amount of € 5.0 million is allocated to activities and projects in non-focal sectors and can be mobilised for the following purposes:

- Evaluation and audit of programme implementation within the focal sectors and unforeseen studies in non-focal sectors;
- Strengthening the capacities of the civil society including women groups;
- Contributions to regional projects and programmes;
- Assistance to the negotiation of Regional Economic Partnership Agreements;
- A reserve for insurance against possible claims and to cover cost increases and contingencies.
- Evaluation of the fisheries resources and, in particular, of the fishing possibilities which could be offered to the EC in the framework of a SL/EC Fisheries Agreement, and assistance to the negotiation of such an Agreement.

## 6.6 INTERVENTION FRAMEWORK & PERFORMANCE INDICATORS

### 6.6.1 1<sup>st</sup> Focal Sector - Priority Infrastructure

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objective</b>	Re-launch of the Sierra Leone's economy and re-establishment of social services	<ul style="list-style-type: none"> <li>• Economic growth rate</li> <li>• Employment rate</li> <li>• Increased percentage of population with access to basic social services</li> </ul>	<ul style="list-style-type: none"> <li>• Independent surveys</li> <li>• GoSL statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Peace and stability remain</li> </ul>
<b>Programme Purpose</b>	Improved access to markets and social services	<ul style="list-style-type: none"> <li>• All districts have weather reliable access by 2007</li> <li>• Minimum access service levels on the life-line network by 2007</li> <li>• Percentage of road network in acceptable order (good or fair)</li> <li>• Social infrastructure operational and functioning</li> </ul>	<ul style="list-style-type: none"> <li>• GoSL statistics</li> <li>• SLRA Reports</li> </ul>	<ul style="list-style-type: none"> <li>• No external economic shocks</li> <li>• Other national policies supporting economic growth sustained development and equitable distribution of the benefits of growth.</li> <li>• Other social sector programs implemented as scheduled</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Selected road network rehabilitated and maintained nationally.</li> <li>• Access to rural areas and markets improved</li> <li>• Rural health and education infrastructure rehabilitated in selected areas</li> </ul>	<ul style="list-style-type: none"> <li>• Km of roads rehabilitated.</li> <li>• Unit transport costs</li> <li>• Transport sector consumer price index</li> <li>• Traffic data for vehicles</li> <li>• Percentage of maintenance works carried out by private contractors</li> <li>• Number and capacity of operational social infrastructures rehabilitated</li> </ul>	<ul style="list-style-type: none"> <li>• Supervision reports</li> <li>• Progress completion reports.</li> <li>• GoSL statistics</li> <li>• Traffic Counts</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate Road Fund financing ensured</li> <li>• Continuous GoSL commitment to sector policy</li> <li>• Continuous support from major donors</li> </ul>

## 6.6.2 2<sup>nd</sup> Focal Sector – Good Governance & Institutional Support

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objective</b>	Creation of an institutional framework enabling sustainable economic and social development	<ul style="list-style-type: none"> <li>• Functioning institutions in executive, legislative and judiciary throughout the country</li> <li>• Functioning administration including social service delivery in the provinces</li> <li>• Functioning watchdog institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Reports of institutions mandated with governance-related issues (ACC, Auditor General, Ombudsman, Governance Reform Secretariat; relevant non-state accords like CGG, NAG)</li> </ul>	<ul style="list-style-type: none"> <li>• Peace and stability remain</li> </ul>
<b>Programme Purpose</b>	Restoration of civil authority, consolidation of democracy and establishment of a participatory, transparent and accountable system of governance	<ul style="list-style-type: none"> <li>• Civil administration restored throughout the country</li> <li>• Social services efficiently delivered</li> <li>• Improved proportion of population with access to quality social services in provinces</li> <li>• Democratic and legitimate local institution established</li> </ul>	<ul style="list-style-type: none"> <li>• Report of PFM working group; assessment reports by EU, IMF, DfID</li> <li>• Public Expenditure Tracking Survey</li> <li>• Reports of non-state actors on governance issues</li> </ul>	<ul style="list-style-type: none"> <li>• GoSL remains committed to principles of good governance.</li> <li>• GoSL remains committed to deconcentration and decentralization</li> <li>• GoSL promotes public and non-public watch-dog institutions</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Ministries crucial for poverty reduction strengthened ;</li> <li>• Deconcentration of services to provinces effective;</li> <li>• Improved efficiency and transparency of public finance management;</li> <li>• Role of civil society in governance strengthened</li> </ul>	<ul style="list-style-type: none"> <li>• Improved performance of key ministries</li> <li>• Improved percentage of budget resources effectively used in social sectors (as compared to initial planning)</li> <li>• Misappropriation of public funds/assets reduced</li> <li>• Improved participation of civil society in local decision making</li> </ul>	<ul style="list-style-type: none"> <li>• PETS</li> <li>• Assessment Reports by IMF, DfID, EU</li> <li>• Reports of ACC and other watchdog institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Public finance management system accepted by main actors</li> <li>• Recommendations of CFAA and other diagnostic tools (e.g. PEFA) implemented</li> <li>• Domestic financial resources mobilised</li> </ul>

### 6.6.3 Macroeconomic Support

	<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<b>Overall Objective</b>	Achieve poverty reduction within a stable economic framework	<ul style="list-style-type: none"> <li>Poverty indicators improved.</li> <li>Per capita income increased.</li> </ul>	<ul style="list-style-type: none"> <li>Human Development Index</li> <li>Central Statistics Office</li> <li>International statistics (UN, WB,..)</li> </ul>	<ul style="list-style-type: none"> <li>Peace and stability remain.</li> <li>GoSL continues sound macro-economic policies and improves economic and political &amp; administrative governance.</li> </ul>
<b>Programme Purpose</b>	Financial support to the implementation of national development priorities as laid down in the PRSP (especially the improved access to, and quality of social service delivery for the poor).	<ul style="list-style-type: none"> <li>Increased rate of school enrolment in rural areas</li> <li>Increased attendance of primary health facilities based on availability of PHC, staff and drugs</li> <li>Increased access to safe water</li> </ul>	<ul style="list-style-type: none"> <li>UNICEF reports</li> <li>Government Budget and Expenditure</li> </ul>	<ul style="list-style-type: none"> <li>No external economic shocks</li> <li>Structural reforms successful</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>GoSL budget is allocated to PRSP-priority sectors and implemented accordingly.</li> <li>Funds available for social service delivery throughout the country.</li> <li>Performance indicators in social sectors monitored</li> <li>Overall framework for private sector development improved.</li> </ul>	<ul style="list-style-type: none"> <li>Increased proportion of State budget allocated to social sectors</li> <li>Resources effectively allocated and disbursed for social sector expenditure</li> <li>Performance indicators published regularly</li> <li>Increasing private sector investment</li> </ul>	<ul style="list-style-type: none"> <li>Public Expenditure Tracking Survey</li> <li>PRSP reviews</li> <li>Financial and social sector statistics</li> <li>Special surveys</li> </ul>	<ul style="list-style-type: none"> <li>GoSL remains committed to poverty reduction and improved social service delivery as policy priority</li> <li>Domestic financial resources mobilised</li> </ul>

## 6.7 INDICATIVE TIMETABLE FOR COMMITMENTS AND DISBURSMENTS

### 6.7.1 Indicative timetable of primary commitments

	Indicative allocation	2003		2004		2005		2006		2007	
		1	2	1	2	1	2	1	2	1	2
<b>1<sup>ST</sup> FOCAL SECTOR – Rehabilitation of Priority Infrastructure</b>	<b>70.0 M €</b>										
- Transport Infrastructure	60.0 M€			60.0							
- Social Infrastructure	10.0 M€			10.0							
<b>2<sup>ND</sup> FOCAL SECTOR – Good Governance &amp; Institutional Support</b>	<b>19.0 M €</b>										
- Support to NAO's Office	5.0 M €			5.0							
- Decentralisation	7.0 M €				7.0						
- Institutional Support	7.0 M €				7.0						
<b>MACROECONOMIC SUPPORT</b>	<b>50.0 M€</b>										
- Budget support to social sector policies	50.0 M €			50.0							
<b>NON FOCAL SECTORS</b>	<b>5.0 M €</b>										
- Audits, Evaluations, other	5.0 M €			1.0	1.0	1.0	1.0	1.0			
<b>Total Commitments :</b>				<b>126.0</b>	<b>15.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>			
<b>Total Cumulative Commitments :</b>				<b>126.0</b>	<b>141.0</b>	<b>142.0</b>	<b>143.0</b>	<b>144.0</b>			

6.7.2 Indicative timetable of disbursements

	Indicative allocation	2003		2004		2005		2006		2007	
		1	2	1	2	1	2	1	2	1	2
<b>1<sup>ST</sup> FOCAL SECTOR – Rehabilitation of Priority Infrastructure</b>	<b>70.0 M€</b>										
- Transport Infrastructure	60.0 M€				2.5	20.0	15.0	15.0	5.0	2.5	
- Social Infrastructure	10.0 M€				3.0	3.0	3.0	1.0			
<b>2<sup>ND</sup> FOCAL SECTOR – Good Governance &amp; Institutional Support</b>	<b>19.0 M€</b>										
- Support to NAO's Office	5.0 M €			0.5	1.0	1.0	1.0	1.0	0.5		
- Decentralisation	7.0 M €				0.5	2.0	1.5	1.0	1.0	0.5	0.5
- Institutional Support	7.0 M €				0.5	2.0	1.5	1.0	1.0	0.5	0.5
<b>MACROECONOMIC SUPPORT</b>	<b>50.0 M€</b>										
- Budget support to social sector policies	50.0 M €				20.0		15.0		15.0		
<b>NON FOCAL SECTORS</b>	<b>5.0 M €</b>										
- Audits, Evaluations, other	5.0 M €			0.5	0.5	1.0	1.0	0.5	0.5	0.5	0.5
<b>Total Commitments :</b>				<b>1.0</b>	<b>28.0</b>	<b>29.0</b>	<b>38.0</b>	<b>19.5</b>	<b>23.0</b>	<b>4.0</b>	<b>1.5</b>
<b>Total Cumulative Commitments :</b>				<b>1.0</b>	<b>29.0</b>	<b>58.0</b>	<b>96.0</b>	<b>115.5</b>	<b>138.5</b>	<b>142.5</b>	<b>144.0</b>

6.8 CHRONOGRAMME OF ACTIVITIES

1 <sup>st</sup> FOCAL SECTOR (70.0 M €) Rehabilitation of Priority Infrastructure	Indicative allocation	2003				2004				2005				2006				2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Transport sector	60.0 M €	FS		FP		FD		■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■				
- Social sectors	10.0 M €	FS		FP		FD		■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■						
2 <sup>nd</sup> FOCAL SECTOR (19.0 M €) Good Governance & Institutional Support		2003				2004				2005				2006				2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Support to the NAO's Office	7.0 M €		FP		FD		■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■		
- Decentralisation	5.0 M €		FS		FP		FD		■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
- Institutional Support	7.0 M €		FS		FP		FD		■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■	■■■
MACRO ECONOMIC SUPPORT (50.0 M €)		2003				2004				2005				2006				2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Budget Support	50.0 M €			FP		FD		■■■				■■■				■■■					
NON FOCAL SECTORS (5.0 M €)		2003				2004				2005				2006				2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Audits, evaluations, other	5.0 M €																				

FS: Feasibility Study  
 FP: Financing proposal  
 FD: Financing decision  
 ■■■ : Project implementation