

Proposal for Belgian Trust Fund for Poverty and Social Impact Analysis **(Joint UNDP – World Bank Project)**

Name of Proposal: Agricultural Policy in Sierra Leone

Government Unit Responsible for Project: Economic Policy and Research Unit, Ministry of Finance.

Liaison Person at UNDP Country Office: *Graham Chipande, Senior Economic Advisor*

Total Amount Requested: \$100,000

A. Description of the policies on which the PSIA will focus and the rationale for selecting those policies (e.g. the probable size of the policy impact, the level of national debate on the policies, the interest of the government in assessing these policies, the links to the national PRS).

The PSIA proposed in this document will focus on the agriculture sector in light of the significant emphasis in the PRSP on the goal of food security and hence the fundamental place it occupies in the national development policy. There are also a number of ongoing reforms in the sector with regard to both boosting production and market access that are in need of assessment.

Specifically the PSIA will focus at the impact of the following policies:

- (1) Investments in seeds and agricultural inputs.
- (2) Implementation of the ECOWAS Common External Tariff.
- (3) Current projects to provide infrastructure, notably feeder roads, to enhance market access for agricultural products.
- (4) Proposed Financial Sector Reform: including subsidization of interest rates to bring liquidity to the agricultural credit sector, and deepen rural credit markets (in part through the development of the Microfinance sector).
- (5) Proposed reductions in administrative barriers to buying, selling or renting land.

In short, the proposed PSIA will examine a mix of past, current, and proposed agricultural policies having significant, actual and potential impacts on the poor.

The overall objectives of GOSL are “...to improve agricultural production and productivity in order to achieve food security, by providing the enabling environment for farmers and promoting appropriate research, extension, input delivery and marketing systems, thereby improving rural incomes, reducing poverty and maintaining the natural environment...”.-Ministry of Agriculture, Forestry and Food Security, *Draft policy for the agricultural sector of Sierra Leone*, Freetown, November 2002. This commitment to agricultural development is reflected in the pledge of the State President to achieve national food security by 2007, as well as in increasing budgetary allocations to the Agricultural sector since the end of the war. In addition, one of the major activities of the Ministry of Agriculture and Food Security (MAFFS) is compliance with the Comprehensive Africa Agriculture Development Programme under the New Partnership for Africa’s Development (NEPAD).

This study intends to focus on the agricultural sector for several reasons. Firstly, agriculture contributes over a third of the country’s GDP. Secondly, recent poverty diagnosis in the country has revealed that this is the sector which is associated with the highest incidence of poverty. In essence, the study will look at the impact of policies in the agricultural sector on the poor as a whole but also on the poor that are engaged in the sector. Thirdly, we believe that the agricultural sector has great potential for reducing poverty in Sierra Leone through increased employment via a boost in agro-based Small and Medium Enterprises in rural areas, where the majority of the poor reside. Finally, studies have indicated that food poverty predominates in the country and that its incidence is very sensitive to changes in domestic food prices (especially rice-the main staple). As such, policies such as the Common External Tariff among

ECOWAS members, which among other things, exempt some foodstuffs, such as rice, from tariff reductions, under the current phase of rate harmonization (which ends in 2008), have repercussions on food security. For example, if the exemption on rice were to be lifted, this would have a substantial effect on domestic rice production and prices as well as other economy wide effects. In total the policies proposed for the PSIA will have a substantial and on going impact on the welfare of the poor in Sierra Leone making the PSIA findings both relevant and timely.

The drive towards Food Security is a major program of the GOSL, and the policies suggested for evaluation here are likely to have major impacts nationwide.

B. Ongoing programmes and activities to which the PSIA would be linked.

Clearly the Sierra Leone PRS is the major ongoing activity that the PSIA will be linked to and support. A significant amount of donor and government resources is currently flowing into activities designed to rejuvenate agricultural production in Sierra Leone, and it would therefore seem a pertinent time to evaluate the poverty impact of current and proposed reforms. Sierra Leone is committed to the achievement of the MDGs, including the MDG associated withhunger. Findings from such a study will greatly assist in the design and implementation of policies and programmes to achieve such goals.

One of the key objectives of the GOSL as outlined in the 2006 budget speech in the medium-term is to reverse the negative domestic savings rate and improve credit access in rural areas; the Bank of Sierra Leone activities in this area, including their expansion of community banks would be linked strongly to the proposed PSIA. In addition, the IMF and the World Bank are funding a study on the liquidity and solvency of banks under the Financial Sector Assessment Program as outlined in the budget speech. In addition, employment creation through private sector development is a key element of the PRS in Sierra Leone. We hope that the study will provide insights into how constraints to private sector investments in the agricultural sector can be overcome.

C. Description of the proposed analytical work

a. Methodological approach, such as data analysis and assessment tools

The identified policy reforms for the proposed PSIA can be expected to have an impact on various stakeholders through five main transmission channels— employment, prices (production, consumption, and wages); access to goods and services; assets; and transfers and taxes. The PSIA aims to examine these channels using a combination of quantitative and qualitative analysis.

Quantitative Analysis

- (1) A formal modeling of the productive agricultural sector is proposed. A strong possibility is to use Lundberg and Rich's (2002) generic model of agricultural interventions – designed to facilitate analysis – augmented with country-specific factors and combined with HH survey data from the Sierra Leone Integrated Household Survey of 2003-2004 to estimate supply elasticities. This particular portion of the study will focus on agricultural production.
- (2) An economic modeling of the implications of the ECOWAS tariff reforms on agricultural prices and the volume of agricultural produce going to foreign markets.
- (3) Regression analysis will be carried out to ascertain the determinants of increase in agricultural products in the specific case of Sierra Leone

Qualitative Analysis

- (1) A series of interviews with key-informants and focus group discussions with supporting information from government agents. These will be designed to raise key issues which formal modelling perhaps is less adept at capturing. This will focus on the ease of getting produce to market (including the impact of feeder roads but also in terms of customs regulations and finance.

- (2) A baseline survey of 1,000 farming households around the country, followed by qualitative and focus group surveys. The survey will focus on the impact of existing government policy in relation to the proposed policy areas on their welfare, and specifically their production and sale of agricultural products.

b. Consultations with National Stakeholders

Consultations with national stakeholders will fit broadly under the ‘Qualitative Analysis’ section of the proposed PSIA. Interviews will be held with prominent officials at a number of government ministries, departments and agencies, as well as other stake holders in the private sector and Civil Society, including:

DACO: Development Assistance Coordination Office
MAFFS: Ministry of Agriculture, Forestry and Food Security
MTI: Ministry of Trade and Industry
MODEP: Ministry of Development and Economic Planning
NARCC: National Agricultural Research Coordinating Council
NAFSL: National Association of Farmers of Sierra Leone
NaCSA: National Commission for Social Action
MOF: Ministry of Finance
NRA: National Revenue Authority
The Food Security Secretariat

Clearly the input from the grass-roots will be represented through the quantitative survey and follow-up qualitative and follow-up surveys.

c. Timeframe

The actual study should be no longer than 12 weeks. However, more time will clearly be needed for the preparation of the Terms of Reference as well as preparatory investigation.

D. Statement on how the analytical results will be fed into national policy decision-making.

Key Ministries , Departments and Agencies will be consulted during the formation of detailed plans for the PSIA. Copies of results of the PSIA study will be made available to all stakeholders including Government, private sector and Civil Society. A national and regional workshop(s) will be organised to discuss and validate the findings and present policy recommendations. An Action Plan, with a stipulated time frame will be formulated. This will be fed into the current PRSP Activity Matrix and Results Framework.

E. Statement on how the World Bank and the Belgian Government (if both have local representatives) will support the project (note: the World Bank will need to approve the project and the local Belgian representative should be notified of the project and invited to meetings).

The World Bank will support the stakeholder consultations, provide the facility for consultation with experts at the World Bank in Washington and diaspora, and provide a framework for policy dialogue. Since the resulting framework will be linked to the PRS monitoring mechanism, it is expected that it will benefit from Donor/Government dialogue currently in place.

F. Statement identifying the Government unit that will lead the PSIA, how it will coordinate with the unit leading the PRS and how the UNDP will support the process, especially with technical assistance.

The Economic Policy and Research Unit (EPRU) of the Ministry of Finance will lead the PSIA. The Unit has the largest technical capacity in the field of economic research, and already handles large-scale evaluation and monitoring projects involving ground-level and country wide research (notably the Public Expenditure and Tracking Survey). The Unit is a key participant in policy discussions with the IMF over the PRGF programmes, the World Bank and other agencies. It monitors and reports on progress in the implementation of development partners and government designed policies. It has in-depth expertise of policy areas related to the proposed PSIA.

One of the specific responsibilities of the EPRU is to “*Asses the impact of economic and structural policies on the poor and vulnerable through Poverty and Social Impact Analysis (PSIA)*”. This has never been carried out because of lack of funding to strengthen technical capacity and to undertake the exercise. So the proposed PSIA falls within the work frame of the Unit and will not be considered as an aside. Also, there is a cordial working relationship between EPRU and DACO, the PRS coordinating unit and all other related institutions.

The EPRU has a cordial working relationship with the local UNDP Office, particularly the Poverty and Human Development Unit, which also spearheads policy analysis within UNDP and the UN Country Team (UNCT). It is hoped that this study will further strengthen the working relationship between the EPRU and UNDP.¹

G. Plans for training components of the project (how training will be provided and for whom)

Two-day training of local researchers by technical assistants / consultant. The international consultant will work where possible in conjunction with staff members from EPRU and other government departments.

H. Deliverables of the PSIA by the end of the project.

Five sub-reports will be published, relating to each policy area under investigation. Seminars will be convened on each of these topics. One final report will then be published synthesising the findings from the separate reports, with a national seminar and workshop to prepare an action plan based on the policy recommendations emerging from the reports.

I. Plans for dissemination of the results and policy dialogue.

One day seminar for non-government stakeholders and interested parties, discussions with NGOs. Press briefings.

¹ The EPRU carried out a Pro-Poor Policies Study for Sierra Leone, in 2005, in collaboration with the UNDP Country Office.

J. Detailed Budget Table for PSIA

<u>Activity</u>	<u>Inputs</u> ¹	<u>Cost (USD)</u>	<u>Matching Funds ?</u>
International Consultant (8 weeks)	PERINT	\$40,000	The government will make technical staff and government experts available for the period of the project.
Local Consultants	PERLOC	\$10,000	
Survey	TRAV, PERLOC, MISC	\$15,000	
Interviews	TRAV, PERINT, PERLOC, MISC	\$5,000	
Focus Group Surveys, Discussions	TRAV, PERINT, PERLOC, MISC	\$10,000	
Dissemination and Policy Dialogue	MISC	\$10,000	
Unanticipated Expenditures	MISC	\$10,000	
Grand Total		\$100,000	

¹ Atlas Budget Categories: TRAV (Travel), PERLOC (local consultant), PERINT (international consultant) and MISC (miscellaneous)