

Sierra Leone: Recovering from Years of Conflict

After 11 years of brutal civil conflict, and five years of post-conflict recovery, Sierra Leone is consolidating its return to democratic rule by holding its third cycle of presidential and parliamentary elections in 2007 and implementing a decentralization plan to empower locally elected district and town councils.

Country Indicators	1999	2005
GDP per capita (US\$) ^a	150	220
Real GDP growth	-8.1	7.3
Inflation rate (%)	34.1	12.1
External debt (% of GDP)	194	132
Poverty incidence (%)	—	70
Gross primary school enrollment rate (%)	65	160
Infant mortality rate (per 1,000)	170 (1997)	170 (2002)
Under-five child mortality rate (per 1,000)	286 (2000)	283 (2004)
Population (millions)	4	5.5

a. World Bank Atlas methodology.

Sources: World Bank and UNICEF.

Sierra Leone's civil war destroyed infrastructure, businesses and the most basic social fabric of the society. Near the end of the war, the average citizen survived on the equivalent of 38 cents (US\$) a day, and 2 million people, nearly a third of the population, had been displaced.

But solid macroeconomic performance following the cease-fire led to strong economic rebound. As often happens when countries emerge from the devastation of civil war, income jumped substantially—in this case to an annual average of US\$220 per person by 2005. International support helped restore many basic services, with a 146 percent rise in primary school enrollment since 1999. The last United Nations (UN) peacekeepers withdrew in December 2005, leaving full responsibility for security with domestic forces. A civilian UN office remains to support the government.

The International Development Association (IDA), the World Bank's fund for the world's poorest countries, has been at the core of the international partnership working with Sierra Leone as it emerged from conflict, and set the priorities for recovery and rehabilitation. International assistance was crucial to deliver tangible benefits to the population to consolidate the peace and helped pave the way for reconstruction and public sector reforms.



COUNTRY ACHIEVEMENTS

Sierra Leone is starting to emerge from the ravages of war.

Eleven years of civil war.

Civil conflict between 1991 and 2001 concluded with a 1999 peace agreement, followed by UN peacekeeping support and a formal declaration of peace in January 2002. The World Bank had ceased new lending in 1997—following the unraveling of the first peace agreement and a *coup d'état*—but had retained a presence during the conflict years, keeping development projects afloat where possible. A crisis point came in January 1999 when the resurgent rebel forces invaded Freetown, leaving thousands dead and devastating the capital before being driven out by West African regional forces (ECOMOG).

In May 1999, the rebels agreed to a cease-fire and in July signed the Lome Peace Agreement. In November, the arrival of UN troops proved to be the turning point in consolidating the peace and returning to stability and democratic norms.

The UN troops set the stage for new IDA support focused on the root causes of the conflict—alienation and corruption.

Consolidating its return to democratic rule and stability.

Having peacefully completed two presidential and parliamentary election cycles (1996 and 2002), Sierra Leone is preparing for the third in July 2007. In addition, the government reestablished the institutions of local government, which had been dismantled 30 years earlier, with the 2004 elections for district and town councils. Since 2004, government completed the first phase of decentralizing a range of functions from agriculture to sanitation to local and regional administrations.

Strong post-conflict growth.

Sierra Leone's GDP per capita sank to 38 cents (US\$) a day near the end of the conflict in 2000. Following the peace accord, it rebounded to US\$220 per capita in 2005. As the conflict ravaged the economy, consumer price inflation surged to 36 percent in 1998 before subsiding, and has been at about 12 percent in 2005 and 2006.

Sierra Leone declared free universal primary education in 2001. As a result, gross primary school enrollment increased from 65 percent in 1999 to the current rate of 160 percent (1.3 million students), reflecting the participation of large numbers of over-age students who

missed out on educational opportunities during the conflict. From 2001 to 2005, the number of pupils passing the annual national primary school examination more than doubled from 21,000 to 56,000 pupils.

Governance is improving.

The task of building an honest and capable state in Sierra Leone is a major challenge, following the institutional erosion of the conflict years. Governance indicators for Sierra Leone show improvement but from a very low base. From 1998 to 2005, Sierra Leone's average percentile ranking for all governance categories tracked in a World Bank survey (*Governance Matters V*) improved from 14.9 to 20.4, low by global standards and markedly below the Sub-Saharan average percentile of 29.8.

IDA CONTRIBUTIONS

Efforts to bring an end to Sierra Leone's civil war during the late 1990s were frustrated as warring factions repeatedly returned to violence—at enormous cost to a chronically traumatized civilian population.

The Bank maintained a presence during the conflict, supporting demobilization efforts. When a credible peace agreement came in late 1999, a UN peacekeeping operation provided critical breathing space. This made possible the IDA-financed recovery programs that were then accelerated to consolidate the peace and to deliver tangible peace dividends to the population. Between 2000 and 2005, IDA financed a total US\$329 million worth of development projects, policy reforms and analytical work.

Bank re-engagement following the 1999 Peace Agreement focused on: (i) supporting the return of displaced people and ex-combatants to their communities and helping them reestablish normal economic and social activity; and (ii) quick-disbursing budget support, policy reform, and capacity-building.

IDA's partnership with Sierra Leone has helped consolidate peace.

Establishing basic security for reconstruction and economic recovery.

Well-coordinated multi-donor efforts during the conflict years have led to a coherent post-conflict partnership between the government and its development partners. Initiated in 1997, a Bank-administered multi-donor trust fund for the Disarmament, Demobilization, and Reintegration program (DDR) contributed to Sierra Leone's eventually successful transition to peace by establishing the basic security necessary for reconstruction and economic recovery.

The US\$31.5 million multi-donor trust fund financed the disarmament and demobilization of 72,000 ex-combatants. In addition, 56,000 received training support for their reintegration into local communities, including 1,800 child-soldiers.

Building on UN peacekeeping efforts, the Bank was at the center of a closely coordinated effort among development partners to support the government's efforts to rehabilitate community schools, health clinics, markets, and roads. The rebuilding effort created the conditions for the return of internally displaced persons, refugees, as well as former combatants.

In 1999, IDA began four operations targeting the communities most affected by the war. It financed 397 training and employment programs implemented primarily by NGOs. In hundreds of villages, schools, sanitation facilities, health clinics, and markets were restored. Farmers received seeds and farm tools. All told, an estimated 1 million people benefited from the recovery projects.

Following the creation of the National Committee for Social Action (NaCSA) in 2003, IDA-financed recovery programs were extended to areas previously off-limits because of the war and to particularly vulnerable communities in those areas. This second phase reached an additional 175 communities.

Focusing on education and health.

Other IDA operations, co-financed by development partners, focused specifically on education and health, providing support to the government to rebuild and operate 100 schools in previously war-affected areas, establish teacher-training programs, and strengthen the capacity of the Ministry of Education, Science and Technology to plan and manage the delivery of education services to rural areas.

Together, IDA and other development partners helped the government to restore essential functions of the health delivery system, rehabilitating basic health facilities in four priority districts of the country.

The program provided improved equipment, supplies, and training for health workers in rural areas, especially in caring for pregnant women. IDA also helped the Ministry of Health improve its management efficiency. The ministry is now better able to assist district health teams that deliver key services such as

tuberculosis control and distributing treated bed nets against malaria.

Supporting policy reforms.

From 1999 to 2005, IDA financed four economic rehabilitation and recovery credits, totaling US\$135 million, to help the government restart the economy and improve service delivery. The funds provided needed foreign exchange resources for essential imports, including food, petroleum products and raw materials.

Coordinating aid and promoting debt relief.

As it became clear that the war was winding down, the World Bank (through IDA), the International Monetary Fund (IMF) and other key donors encouraged the government to begin the debt relief process Highly Indebted Poor Countries (HIPC) to boost the flow of aid for reconstruction, rehabilitation, and growth.

Sierra Leone reached the HIPC interim decision point in early 2002, and substantial increases in development assistance followed suit.

In late 2003, the key budget support donors—the African Development Bank (AfDB), the United Kingdom (DfID), the European Commission (EC), and IDA—made the decision to enhance their coordination of public financial management reforms. IDA had also sought to coordinate the design and implementation of health and education projects with its development partners.

These coordination efforts eventually led to the formation of a framework for multi-donor budget support, underpinning a full poverty reduction strategy rather than funding select reforms.

In December 2006, Sierra Leone reached the HIPC completion point, whereby debt relief is provided to countries that maintain macroeconomic stability and carry out strategic reforms. It will also benefit from the Multilateral Debt Relief Initiative.

Promoting the private sector.

The Bank was instrumental in encouraging structural reforms for private sector development, notably public enterprise reform and an Investment Promotion Act. To help Sierra Leone ramp up desperately needed export earnings, the Bank focused on the mining sector, working with the government to revise its mining policy to promote formal activity and attract private investment. The Foreign Investment Advisory Service is currently actively engaged in a program aimed at reducing administrative barriers and export promotion.

Improving public financial management.

The World Bank has supported government efforts to attack corruption, strengthen management, and improve services. Acting with other key donors (AfDB, DfID, and the EC), IDA has facilitated the following actions:

- Budgetary oversight committees were created to help set priorities, monitor implementation, and prepare regular reports.
- A public procurement act was approved by Parliament in 2004. The government installed a new integrated financial management information system in 2005 and automated key record-keeping functions at the Accountant General's Department and the Bank of Sierra Leone. Security controls and audit trails exist, and quarterly budget reports are produced and publicized in gazettes. Annual public expenditure track-

ing surveys have been completed since 2001 and are also made public.

- A government budgeting and accountability act was adopted in 2005 to eliminate discretionary powers and set out roles and standards that promote transparency and accountability in the execution of the government budget.
- A functioning local government system was re-established in 2005, with standards for inclusiveness, transparency and accountability on the use of public funds.

Supporting decentralization.

To start addressing the alienation of rural areas that was one cause of Sierra Leone's civil conflict, six ministries have decentralized at least some of their functions to local administrations. These provide services related to crops and livestock, education, health, water supply, sanitation, gender, youth and sports.

Act Locally

- Regulations governing emerging inter-governmental transfers have been put in place, along with a block grant system to finance local investments.
- Government brought needed transparency to the allocation of transfers by publishing the allocations and the allocation formulas under the 2005 and 2006 budgets.
- Responsibility for managing primary health services, district education council schools, and agriculture services were shifted to local councils.
- Through participatory planning, local councils created three-year rolling development plans, as well as rapid results initiatives in water, sanitation, transport, agriculture, youth and sports.

In response to the government's decision to pursue decentralization, IDA designed a just-in-time project, the Institutional Reform and Capacity Building Project (IRCBP). While the government prepared a landmark local government act and conducted the first local government election since 1972 in May 2004, IRCBP helped the government establish a core technical team to design and implement an ambitious devolution and capacity building program. IDA has provided US\$25 million towards the decentralization program, along with DfID/EC co-financing of US\$25 million, with IDA acting as a trust fund.

In addition, a pilot community-driven development project backed by a US\$2 million IDA grant is experimenting with village-level and ward-level participatory decision-making. An existing social fund project has been modified so that local councils now identify feeder roads and manage procurement and contracts. Local councils are also encouraged to identify water and sanitation priorities.

Rehabilitating key infrastructure.

Sierra Leone still faces an acute shortage of reliable electricity, water, and sanitation services. As of 2002, only 8 percent of the country's roads were paved. In 2004, only 5 percent of the population had access to electricity (one of the lowest rates in the sub-Saharan region.)

IDA has supported programs to start tackling these shortages and manage key services more efficiently.

The nearly complete Bumbuna Hydroelectric Dam was abandoned during the war. To help

Sierra Leone complete the dam and begin to address at least some of the unmet demand for electricity, the Bank prepared a financing package including a partial risk guarantee which enabled private contractors to resume construction. The Bank is also funding resettlement of displaced communities, other safeguard requirements, and physical improvements in affected communities.

IDA is also funding improvements to Lungi International Airport and the Freetown Port. Coordinating closely with other donors in the sector, IDA is strengthening management of the Road Transport Authority, establishing sustainable funding for road maintenance, and funding two key segments of the main highway grid, as well as secondary and feeder roads.

CHALLENGES AHEAD

Although Sierra Leone is past the immediate post-conflict phase, the country still faces daunting challenges. High unemployment, widespread illiteracy and some of the worst health indicators in the world contribute to a staggering poverty rate of 70 percent, with life expectancy of only 41 years.

Sierra Leone, a country with vast agricultural and mineral resources, has an economy of only about US\$1 billion. Had the country not experienced a prolonged period of political deterioration leading to 11 years of conflict, the economy would be expected to be about three to four times larger. Sierra Leone continues to need substantial investments in order to build on its post-conflict recovery.

The challenges in Sierra Leone remain daunting. But the development priorities are clear.

Expanding economic growth and providing more job opportunities.

The country needs a better functioning private sector to generate more and better jobs, especially for its youth. To achieve this, Sierra Leone must implement a development strategy that improves service delivery, redresses infrastructure deficiencies and provides an enabling regulatory and legal environment.

Reducing corruption.

Sierra Leone's history of corruption was a major cause of citizens' alienation and state collapse. An honest and capable state is necessary to regain public trust and support. Recent corruption perception indicators, however, have yet to confirm any sustained improvement in the situation.

Civil service capacity is under-developed.

A majority of civil servants holds low-grade jobs such as clerk or messenger. Skilled professionals such as accountants, agronomists, chemists, doctors, geologists, and lawyers are in very short supply. Educational programs to provide the necessary skills are inadequate.

Reforming procurement.

Effective implementation of procurement reform is the cornerstone of any anti-corruption effort. It is also a prerequisite for better service delivery, making the delivery of services more timely and more cost-effective. Clear procurement rules also promote private

sector growth as more firms are allowed to compete for government business.

Reinforcing the private sector.

The private sector has not developed sufficiently to provide more and better jobs. The government is especially concerned about jobs for youth and ex-combatants, many of whom are unemployed.

Several studies have recently been completed that have informed the dialogue on private sector issues. The challenge is now to prioritize, finance, and initiate the recommended reforms.

In collaboration with the International Finance Corporation (IFC), the World Bank Group's private sector arm, IDA will provide US\$28 million in mid-2007 for a private-sector development project focused on marketing systems in rural areas and strengthening value chains tied to agricultural outputs.

Improving health indicators.

Sierra Leone's maternal, infant, and under-five mortality rates are among the highest in the world: 286 children out of 1,000 die before the age of five. To bring health indicators up to acceptable standards, the government will need to invest in water and sanitation, improve delivery systems, and upgrade infrastructure, particularly roads.

Meeting enormous infrastructure needs.

Lack of potable water is the major threat to Sierra Leone's ability to reach its health-related Millennium Development Goals. With only 60 percent of urban populations and less

than 15 percent of rural populations having access to clean water, Sierra Leone has the world's highest infant and child mortality rates. Freetown's water system has not been expanded since before the conflict when the city was only a third of its present size. Fifty percent of the city's population now lacks access.

A recent transport study estimated that US\$160 million was needed to provide the minimum level of transportation necessary to support agricultural growth and development of the rural private sector.

Even after the Bumbuna Hydroelectric Plant is commissioned, total power generation will be insufficient for Freetown to meet its basic needs, especially during the dry season. Except for three or four secondary cities, rural areas have no electrical power.

Lack of power, water and transportation also prevent the private sector from operating properly.

Substantial investments will be necessary to remove these bottle-necks. Cumulative financing requirements for Sierra Leone between 2005 and 2009 are projected by the IMF to be US\$996 million. Identified financing for fiscal operations is expected to total US\$847 million for the same period.

This financing is expected to come from grants, including those for HIPC relief, loans and debt relief, leaving a gap of US\$193 million in financing core priorities

In order to provide consistent support to Sierra Leone as it struggles to consolidate the hard-won gains of the last six years and

to advance its development strategy, IDA and other partners will need to continue to provide sustained support in the crucial years ahead.

Post-conflict lessons can help improve IDA's effectiveness.

Although a comprehensive analysis of the country program has not been conducted yet, certain lessons can be learned from IDA's experience in Sierra Leone.

Tips for operating in an extraordinary environment and achieving peace have already been borrowed for countries like Ethiopia, the Great Lakes, Sudan, and Sri Lanka.

Relatively large post-conflict IDA allocations allowed IDA to carry out reintegration work and budget support initiatives in parallel. This enabled the government to maintain macroeconomic stability and move forward with financial and procurement reforms while directly addressing the needs of war-affected communities.

Sierra Leone's decentralization efforts show that institutional reforms which encourage participation and competition can unleash latent reservoirs of energy and capacity at the local level, even in a country with the lowest Human Development Index. Targeted job-specific training can lead to quick improvements in institutional capacity, but sustainability requires an enabling governance environment that rewards performance and encourages learning.

Project implementation in this post-conflict environment has shown that significant up-front investment in capacity-building is

required for implementing agencies, and in some cases, for the participating communities. When implementation is managed through the NGO community, capacity limitations should be assessed and a corresponding capacity building program should be developed and implemented. Project design should be structured around a few easy-to-monitor key performance indicators.

Donor coordination has been, and will remain, particularly strong on issues of governance, corruption, public financial management and capacity building. This is in recognition of the damage done to the viability of the country's institutions by the years of corrupt governance both before and during the war.

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<http://www.worldbank.org/ida>