



DE BARRAY

PRODUCED BY THE WORLD BANK COUNTRY OFFICE IN SIERRA LEONE

Annual Volume 2
Monthly Issue 3
March 2006
13 Howe Street
Freetown
Sierra Leone
Africa Region (AFR)

HIGHLIGHT OF CHALLENGING DEVELOPMENT EVENTS

Clarifying issues around financing the S/L PRSP

Salient questions about how funds are mobilized, channeled and utilized for the implementation of the Sierra Leone Poverty Reduction Strategy Paper (PRSP): 2005-2009 were clarified in a public forum organized in Freetown on March 6 2006 by the Coalition of Civil Society and Human Rights Activists (CSSHRA) in Sierra Leone.

The event which was funded by a state-civil society engagement program, ENCISS, provided the opportunity to clarify issues around the widely reported amount of 800 million US Dollars mobilized for Sierra Leone at the Consultative Group (CG) meeting in London in November 2005. The important clarifications made were:

- 1) Not all the US\$800 million amount announced were new money;
- 2) Not all of this amount is being passed through the coffers of government;
- 3) The PRSP is not like a typical project through which CG funds are directly channeled as done to normal World Bank supported project units like NSAP, SHARP, IRCBP and SABABU;
- 4) The CG pledges were made within a defined PRSP time-frame: 2005-2007, considering what was realistic to be done and achievable in this period;
- 5) The PRSP can be pictured as a set of targets and benchmarks providing focus and direction on a common national path to poverty reduction. It is a rolling strategy, designed to continue beyond 2007 and after.

These clarifications were widely regarded as timely as they came during a sensitive political season in the country that is rife with false rumors that the ruling regime was going to directly receive the bulk amount of \$800m from donors to lever its position for the 2007 elections ●

Managing public finances judiciously and prudently

The World Bank Country Manager in Sierra Leone, James Sackey, told participants of a decentralization workshop on public financial management in Freetown on March 12 2006 that public expenditure is a critical aspect of a country's economy and urged public servants to make judicious and prudent use of funds.

Sackey pointed out 3 critical levels of good governance in the allocation and utilization of public resources: fiscal discipline, strategic allocation of resources and efficient service delivery.

He stressed the need for financial accountability and transparency and for adopting stringent fiscal discipline that helps international donors make informed comparisons between Sierra Leone and other countries in public sector performance.

The workshop participants were trained in the use of the integrated financial management information system (IMFIS) to improve program costing in integrating development and recurrent costs into the national budget within the country's medium term expenditure framework.

In so doing, the capacity of devolving ministries and local councils were being strengthened in preparation of budgets to meet national targets for poverty reduction and in the preparation and execution of an action plan for internal auditing. The participants were also trained in efficient and effective program monitoring and evaluation.

Prompt fiscal devolution and the discipline that goes with it is widely regarded as the most decisive factor in Sierra Leone's overall governance decentralization reforms ●

Making the opportunities of investment real in S/L

The Commonwealth Business Council (CBC) announced in mid March that it was organizing from March 27-30 2006 the first global investor conference in post-conflict Sierra Leone in partnership with the World Bank and the Sierra Leone Government, among others.

According to the CBC Director General, Mohan Kaul, fundamental resources for investment in Sierra Leone are abundant as the country is famed for diamonds, endowed with gold, bauxite, chrome, rutile, iron ore and more.

"The fertile land is producing coffee, cocoa, rice and palm oil. Investment, cultivation, processing and export offer opportunities. Major players are investigating the options for expansion in fisheries and aquaculture in abundant waters. With pristine beaches, nature sanctuaries, rain forest and unspoilt island havens, the country has a tourism potential unsurpassed by its more developed rivals in the region and elsewhere", Kaul continued.

"There has never been a better time for international investors and entrepreneurs to take a look at a country on the verge of recovery-led growth. In August 2005 a Security Council Resolution mandated the newly established UN Integrated Office in Sierra Leone to 'create an enabling environment for private investment'. In the months that followed, international donors pledged US\$800 million for poverty reduction. The next step is for the private sector to take these enabling measures forward through investment" ●



'De Barray' is a typical gathering point in Sierra Leone where, mostly, critical issues are discussed to inform decisions.

To know more about the World Bank activity in Sierra Leone visit www.worldbank.org/sierraleone

Telephone: +232 22 227555 Fax: +232 228555. E-mail: msherriff@worldbank.org





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KEY WORLD BANK GROUP RELEASES OF THE MONTH

Explaining the practicality of remittances to the poor

According to a World Bank press release on March 13, the Committee on Payment and Settlement Systems of the Bank for International Settlements and the World Bank released a consultative report on *General principles for international remittance services*.

While in recent years a number of reports have been prepared by various organizations on the topic of international remittances, few of these reports have been devoted specifically to what can be called the "payment system aspects" – in effect, the practical realities of how the money is transferred. As **Massimo Cirasino and Marc Hollanders, the Co-chairmen of the task force that produced this new report state**, *"understanding these payment system aspects is crucial to understanding remittances and to ensuring that remittance services are safe and efficient."*

The CPSS-World Bank report provides an analysis of these payment system aspects of remittances, and sets out general principles designed to assist countries that want to improve the market for remittance services. The report contains five general principles covering transparency and consumer protection; payment system infrastructure; the legal and regulatory framework; market structure and competition; and governance and risk management.

The flow of funds from migrant workers back to their families in their home country is an important source of income in many developing economies. The total value of these remittances has been increasing steadily over the past decade and it is estimated that in 2005 the total value worldwide was over \$230 billion involving some 175 million migrants ●

Achieving the MDG goal of primary education for all

A World Bank press release dated March 14 2006 says Russia's Minister of Education and Science, **Andrei Fursenko**, opened an international donor's meeting on education by committing both financial support and promising that education will be on the top of the agenda of the next G8 Heads of State gathering in St.Petersburg this July.

"Russia is committing US\$7.2 million to support the Education for All-Fast Track Initiative because it is time to give the gift of education to all children around the world" said **Minister Fursenko**.

In 2006, Russia assumed the G8 presidency and the co-chair of the global compact on education, known as the Education for All – Fast Track Initiative (FTI).

The announcement came at a crucial time, as major donors for the education compact - including 25 bilateral, regional and international agencies and development banks, gathered in Moscow to discuss progress toward the Millennium Development Goal of Universal Primary Education by 2015.

"Russia welcomes the opportunity to play a leadership role in the Education for All - Fast Track Initiative, especially since we feel strongly that the decisions made at the next G8 summit could greatly impact the quality of education for future generations" added **Minister Fursenko**.

The Education for All – Fast Track Initiative (FTI) was created in 2002 as the first ever global compact on education to help low-income countries achieve a free, universal basic education by 2015.

Already the 2005 gender parity target, agreed by world leaders in 2000, was missed by 94 countries across the world ●

Determining who benefits from water subsidies

A World Bank press release on March 18 2006 says subsidies for water utility customers are popular among policy makers and the general public, yet despite persistent belief that subsidies favor the poor, a new World Bank study, *Who Benefits from Water Utility Subsidies?*, shows that they actually tend to benefit the middle class and well-to-do.

"Over one billion people lack safe water," said **Jamal Saghir, World Bank Director for Energy & Water**. "Lowering barriers to access and improving service to the poor is central to efforts to reduce poverty."

According to the study released during the 4th World Water Forum being held in Mexico City, March 16th – 22nd, utility subsidies, which are often promoted as a way for expanding coverage and making services affordable for the poor, often miss the mark.

The release says the studied sample includes 32 programs from 13 water utilities as well as a similar sample of electricity utilities. Most of the programs involve quantity-based subsidies, which are equally common in the water and electricity sectors.

The release further explains that consumer utility subsidies are an ever-present feature of water services around the world. Global surveys indicate that the vast majority of water utilities charge tariffs substantially below levels required for full cost recovery.

Nearly 40 percent of utilities worldwide do not even cover operating and maintenance costs. Average water tariffs in low-income countries stand at about a tenth of the level applied in high-income countries (see www.worldbank.org/water) ●





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Understanding IDA: the World Bank body that deals with Poorest Countries

→ WHAT IS IDA?

The International Development Association (IDA), established in 1960, is the part of the World Bank Group that provides long-term interest-free loans (credits) and grants to the poorest of the developing countries. It does this to support economic growth, reduce poverty and improve living conditions. IDA's long-term, no-interest loans pay for programs that build the policies, institutions, infrastructure and human capital needed for equitable and environmentally sustainable development. IDA's grants go to poor countries already vulnerable to debt or confronting the ravages of HIV/AIDS or natural disasters.

→ HOW IS IT DECIDED WHICH COUNTRIES ARE ELIGIBLE TO BORROW IDA RESOURCES?

Three factors determine whether countries are eligible for IDA assistance:

- ☑ Relative poverty, defined as Gross National Product (income) per person below an established threshold, currently US\$965 per year.
- ☑ Lack of creditworthiness to borrow on market terms and therefore a need for concessional resources to finance the country's development program.
- ☑ Good policy performance, defined as the implementation of economic and social policies that promote growth and poverty reduction.

Countries like India and Indonesia are eligible for IDA assistance due to their low per person incomes, but are also creditworthy for some IBRD borrowing. These countries are known as "Blend" borrowers.

→ WHAT ARE THE TOP AREAS IDA FUNDS GO INTO?

IDA is now the single largest source of donor funds for basic social services in the poorest countries. In the 12 months to June 30, 2005, IDA's support for projects was targeted at human development such as education, health, social safety nets, water supply and sanitation (36%); law, justice and public administration (23%); industry (18%); infrastructure (14%), and agriculture and rural development (8%).

→ WHAT IS A CONCESSIONAL LOAN?

A concessional loan typically carries no interest and offers a much longer grace period and maturity than other forms of financing could provide. IDA's standard concessional loan called 'credit' does not require principal repayments until 10 years after it is signed, with a final maturity of 40 years. Therefore, a country effectively repays only about 40% of a regular IDA credit, after applying a discount rate to convert credit repayments over 40 years into today's prices.

→ WHAT IS IDA 14?

IDA 14 is the latest and the fourteenth replenishment of IDA's resources in April 18, 2005. Under IDA14, approximately \$33 billion is being made available to the world's 81 poorest countries during 2005-2007. Of this amount, about \$18 billion would come from new contributions from 40 donor countries. This represents an approximately 25 percent increase in overall resources over the previous replenishment, and is the largest expansion of IDA resources in two decades.

→ HOW IS IDA 14 BEING MEASURED?

The [IDA 14](#) agreements puts development results at the center of the IDA program. IDA 14 has established a Results Measurement System (RMS) designed to strengthen the focus of IDA's activities on development outcomes and to inform IDA donors about the effectiveness of IDA's assistance. This enhanced system is built on an interim framework, which was introduced in 2002 as part of the policy framework for the 13th replenishment of IDA resources. The new RMS includes outcome indicators based on the [Millennium Development Goals](#) and on countries' own poverty reduction and development objectives. It will monitor development progress and link outcomes to IDA country programs and projects, enabling better assessment of how both countries and IDA are doing, and quicker and more flexible responses to changes on the ground.

This website is designed to disseminate information for the IDA14 RMS and is managed by The World Bank Development Data Group in partnership with Resource Mobilization Department, and Results Secretariat of Operations Policy and Country Services.

→ CONDITIONS OF IDA 14 FUNDING?

IDA's financial support to poor countries takes systematic account of vulnerability to debt.

The countries facing the toughest debt problems – most of them in Sub-Saharan Africa – get all of their support in the form of grants, while less debt-burdened countries receive IDA's highly concessional long-term loans (interest-free credits with a maturity period of 40 years and a grace period of 10 years), or in a few cases a mixture of grants and credits.

As a result, around 30 percent of total IDA 14 support would on grant terms.

Donors have agreed on measures to help offset the financial impact of grants on IDA's ability to support poor countries in the future.

Donors have also supported a decision by the World Bank's Board to make IDA's performance assessments of countries – its country ratings – publicly available. This would further enhance IDA's own transparency and accountability, and would also foster greater dialogue and openness on critical development, policy and financing decisions by developing countries and by international development assistance agencies ●

Culled from the World Bank Group Website: www.worldbankgroup.org





SUMMARY OF KEY COUNTRY EVENTS OF THE MONTH

Is it a brain drain or a brain waste?

Whilst Sierra Leone's deteriorating health service delivery is largely blamed on public sector brain drain as manifested in the high labor turnover of qualified and trained medical doctors and nurses, cases are now cited in the media that there are brains being trained and made available which the health ministry is not keen on tapping and utilizing.

On its front page story 'No jobs for 15 Doctors', the *Independent Observer* newspaper on March 2 2006 reported that 15 new graduate doctors from the Medical College of the University of Sierra Leone had since their application in August 2005 not been absorbed by the Ministry of Health and had had no word from the Ministry about their status.

'Government blames doctors who leave the country to work abroad but the present situation is frustrating', one of them was reported to have complained.

They were also said to have pointed out that even when a doctor happens to be employed in the public sector, pittance salaries and the delay in salary payment create low motivation for one to stay on the job ●

Is the Taylor trial call quite decisive?

Past advocacy efforts have not been making much impact in the call on Nigeria to hand over exiled former Liberian President, Charles Taylor, to the UN backed Special Court in Sierra Leone for war crimes. This is mainly because the newly elected Liberian government had not taken clear position on the issue prior to now.

By mid-March 2006, this situation was no longer the same as the government of Liberia announced that, pending consultation with other African leaders by Nigeria, Liberia will be in favor of handing over Taylor to the Special Court in Sierra Leone.

"I have consulted with Nigerian president Obasanjo and asked him that we and the leaders of Africa ... now bring this matter to closure -- and by closure I mean that that decision should be taken that would allow Mr. Taylor to have his day in court," Liberia's President Johnson-Sirleaf told a news conference after addressing the Security Council.

According to the *Associated Press*, the idea of consulting African leaders is making the call not quite decisive as "African leaders have been reluctant to see the region's former dictators and presidents brought to justice" ●

Why do basic prices change so often?

Using cross-section and time-series techniques to analyze pricing behavior in Sierra Leone, a recent International Monetary Fund (IMF) [Working Paper](#) authored by Arto Kovanen about why prices in Sierra Leone change often reveals a number of important tips for researchers and other interested parties.

In cross-sectional data, the study finds that inflation volatility and product diversification are the main factors explaining differences in the frequency of price adjustments.

The study shows that variance in the fraction of prices subject to change is a key determinant of inflation volatility in Sierra Leone, indicating that retail prices are sensitive to economic events.

The research explains variations in this fraction over time with past inflation and monetary growth, which are important policy variables.

The IMF Working Paper is published with a disclaimer that the views expressed in it are those of the author(s) and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the authors and are published to elicit comments and further debate ●

How is the dread of bird flu in W/Africa?

As the contagious and perilous bird flu virus (H1N5) becomes detected in Africa's most populous country, Nigeria, the West African Civil Society Forum (WACOSF), in a press release dated March 6 2006, called for urgent and preventive measures against the spread of the virus in West Africa.

WACOSF said if this is not done millions of Africans may be affected by the deadly virus since 'we are in a continent where fowls and chickens live in millions of homes'.

WACOSF called on the Nigeria Government, countries sharing the borders with Nigeria and various civil society groups in West Africa to work towards the immediate establishment of observation centers that could help detect any spread of the disease.

The setting up of efficient and effective network would be timely in ensuring a coordinated response to the potential Bird Flu crisis in Africa, WACOSF affirmed.

WACOSF called on the numerous civil society groups in Nigeria and West Africa, especially those along borders, to spread out their watch networks and come up with strategies on controlling the outbreak of the flu ●

This newsletter provides information to the Sierra Leone public, internal Bank staff and internet users interested in Sierra Leone on activities of the World Bank Group, and on developments about Sierra Leone that are of interest and of concern to the Bank Group; seeking also to relay feedback from Sierra Leone on the Bank Group's global strategies, policies, programs and projects.

