

Sierra Leone

Economic Rehabilitation and Recovery Credit, I, II, and III (P035637, P074642, P078623)

Date Effective: February 24, 2000, December 20, 2001/2002, September 16, 2003.

Closing Date: June 30, 2001, March 30, 2003, December 31, 2004.

Project description: The series of three Economic Rehabilitation and Recovery Credits provided quick-disbursing post-conflict support to Sierra Leone to finance governance reform and stimulate economic growth. Economic and social conditions were already very poor before civil war erupted in 1991. These were due in large part to inappropriate government policies and poor governance. The peace agreement of July 1999, while not conclusive in hindsight, provided an opportunity for the World Bank to prepare a program of support for economic rehabilitation and recovery. Among other things, resources made available under these credits allowed the government to implement a transitional safety net allowance for adult ex-combatants. This assistance, combined with the efforts of the Government, the UN, the UK and many other donors, contributed to the formal end of the conflict in January 2002. The IDA credits provided balance of payment and budgetary support to finance part of the foreign exchange and budgetary costs associated with establishing peace and socio-political stability; financing of basic public services; the import of essential commodities, including food products, petroleum products, and raw materials and intermediate goods required for kick-starting the economy. The credits also contributed to a settlement plan for domestic arrears to the private sector.

Impact: *The credit assisted Sierra Leone in moving from the transitional phase of peace-building to the medium-term phase of its poverty reduction strategy. It also acted as a catalyst for support from a number of bilateral and multilateral donors. This post-conflict recovery was propelled by the dynamic growth of donor-financed imports, large-scale resettlement and reconstruction activities, major increases in land under cultivation, increased investor confidence as well as growing remittances, investments and tourism by the large Sierra Leone expatriate community.*

Some highlights:

- Real GDP grew by an estimated 9.3 percent and 7.4 percent respectively in 2003 and 2004.
- An Anti-Corruption Commission was established.
- A Local Government Act was passed followed by the first local government elections in 30 years; staffing in 19 councils was completed.
- A transparent and competitive Investment Code was enacted.
- Annual Public Expenditure Tracking Surveys were conducted.
- A Financial Management and Accountability System was introduced.

- Civil Society participated in budget preparation and execution; Budget Oversight Committees were established nationwide at the District level.
- A new National Public Procurement Act passed; the National Procurement Authority Board and Independent Review Panel were established.

Total Financing: IDA provided \$40 million for ERRC 1, \$50 million for ERRC 2, and \$31 million for ERRC 3.

IDA Contribution: Many of the successes of the credit can be attributed to the strong partnership developed by IDA with the Government, the IMF, the UK's Department for International Development (DfID), and the UN Development Programme (UNDP). The design of Bank support for policy reforms benefited from integration with the efforts of other active donors, and the IDA program has been referred to as the "glue" that bound all these efforts.

Examples of good donor collaboration on elements of the ERRC reform program include tight coordination of public financial management reforms supported by DfID, the European Commission and IDA; decentralization supported by IDA and UNDP; procurement reform supported by IDA and UNDP; the investment code supported by IDA, IFC's Foreign Investment Advisory Service (FIAS), and DfID; and the mining cadastre supported by the Bank, DfID, and UNDP.

Linkages: Macroeconomic improvements have translated into improvements in some human development indicators. For example, primary enrollment increased 39 percent in 2000/2001 due to free primary education in grades 1-3 and improved school accessibility in rural areas. Transparency in governance increased as a result of the introduction of budget management and expenditure controls.

Next Steps: With the establishment of a full Poverty Reduction Strategy Paper covering 2005-2007, there is now consensus among the four budget support donors that the best way to make progress in Sierra Leone is through a Framework for Multi-donor Budget Support and a clear and consistent set of conditions that flow from the PRSP. This framework was put into place in November 2006 and it underpins a new programmatic series of development policy grants for governance reform and growth, following the successful completion of ERRG IV. The Government reached the HIPC Completion Point in December 2006, thus also gaining the benefits of the Multilateral Debt Relief Initiative.