



Government of Sierra Leone

POVERTY REDUCTION STRATEGY PAPER

A National Programme for Food Security, Job Creation and Good Governance
(2005 – 2007)

For Official Use Only

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ACRONYMS

| | | | |
|--------|---|---------|---|
| ACC | Anti-Corruption Commission | NEPAD | New Partnership for Africa's Development |
| AfDB | African Development Bank | NGO | Non-Government Organization |
| BSL | Bank of Sierra Leone | NPV | Net Present Value |
| CBO | Community-Based Organizations | NRA | National Revenue Authority |
| CSO | Civil Society Organization | NRS | National Recovery Strategy |
| CWIQ | Core Welfare Indicators Questionnaire | NTC | National Technical Committee |
| DACO | Development Assistance Coordinating Office | OCHA | |
| DEPAC | Development Partnership Committee | ONS | Office for National Security |
| DSA | Debt Sustainability Analysis | PASCO | Poverty Alleviation Strategy Coordinating Office |
| EBA | Everything-but-Arms EU initiative | PETS | Public Expenditure Tracking Survey |
| ECOMOG | West African Peacekeeping Force | PLF | Participatory Learning Forums |
| ECOWAS | Economic Community of West African States | PPA | Participatory Poverty Assessment |
| EPRU | Economic Policy Research Unit (in MoF) | PRGF | Poverty Reduction and Growth Facility (IMF) |
| EU | European Union | PRS | Poverty Reduction Strategy |
| FGD | Focus Group Discussions | PRSC | Poverty Reduction Steering Committee |
| GA | Gender Analysis | PRSP | Poverty Reduction Strategy Paper |
| GER | Gross Enrolment Ratio | PRWG | Poverty Reduction Working Group |
| GRS | | PSDS | Participatory Service Delivery Surveys |
| HIPC | Heavily Indebted Poor Countries Initiative | QUAP | Quick Action Programme |
| ICT | Information and Communications Technology | RFS | Right to Food Secretariat |
| IDPs | Internally Displaced Persons | RRR | Resettlement, Rehabilitation and Reconstruction Programme |
| IMC | Inter-Ministerial Committee | RSLAF | Republic of Sierra Leone Armed Forces |
| IPRSP | Interim Poverty Reduction Strategy Paper | RUF | Revolutionary United Front |
| MAFF | Ministry of Agriculture, Food and Forestry | RVA | Risk and Vulnerability Assessment |
| MDA | Ministries, Departments and Agencies (of Government) | SES | Senior Executive Service |
| MDG | Millennium Development Goals | SLIHS | Sierra Leone Integrated Household Survey |
| MEST | Ministry of Education, Science and Technology | SLIS | Sierra Leone Information System (in DACO) |
| MFMR | Ministry of Fisheries and Marine Resources | SLP | Sierra Leone Police |
| MLGCD | Ministry of Local Government | SLRA | Sierra Leone Roads Authority |
| MoDEP | Ministry of Development and Economic Planning | SPP | Strategic Planning and Action Process |
| MoF | Ministry of Finance | SSL | Statistical Office of Sierra Leone |
| MOHS | Ministry of Health | TRC | Truth and Reconciliation Commission |
| MSWGCA | Ministry of Social Welfare, Gender and Children's Affairs | UK-DFID | Department for International Development, UK |
| MTI | Ministry of Trade and Industry | UNAMSIL | United Nations Mission in Sierra Leone |
| NaCSA | National Commission for Social Action | WAMZ | West African Monetary Zone |
| NCP | National Commission for Privatisation | WFP | World Food Programme |

GOVERNMENT OF SIERRA LEONE
POVERTY REDUCTION STRATEGY PAPER
A National Programme for Food Security, Job Creation and Good
Governance, 2005-2007

EXECUTIVE SUMMARY

Introduction

Since the mid-1980s Sierra Leone has suffered dramatic economic decline. It has gone through a ten-year brutal armed conflict, with ever-worsening poverty. **Civil conflict** brought a breakdown of civil and political authority, and human tragedy: over 20,000 people were killed, 2 million displaced, and thousands injured or maimed, with human rights abuses including abduction of women and children. GDP per capita halved, with 80 percent of the people in poverty. Social, economic and physical infrastructure was destroyed. Poverty is worsened by rising disease, including HIV/AIDS, malaria and tuberculosis. Sierra Leone ranked bottom in the 2004 UNDP Human Development Index.

The source of **political instability** has lain less in ethnic or religious rivalry, than in the history of extremely poor governance, widespread corruption, and the marginalisation of rural communities, through overpowering, inefficient central government. These were compounded by the early collapse of local government, and worsening terms of trade for limited exports.

Successive **peace processes** finally ended hostilities in 2001; civil authority was gradually restored, with much support from the international community. Reconstruction programmes reintegrated ex-combatants, refugees and displaced persons into active community life. A Truth and Reconciliation Commission and a Special Court were established for war-related “wounds”. Peaceful national elections were held in May 2002.

An **Interim PRSP** (IPRSP) was finalised in 2001, and a National Recovery Strategy (NRS) in 2002, to support transition from peace-keeping to peace-building, and to equitable growth and sustainable development. In 2003, Sierra Leone articulated “Vision 2025” an overall vision of its longer-term development agenda, within which the poverty strategy is set. Vision 2025, prepared over six years with wide stakeholder participation, provides a long-term strategic vision to leave conflict behind and provide a better life.

Successfully implemented, the IPRSP and NRS resulted in **economic recovery** in 2001-2004. With much international support, progress was made in consolidating security, in rebuilding social sectors and economic capital, and supporting the vulnerable. Now a **comprehensive poverty reduction strategy** is needed, supporting Vision 2025, pursuing economic, social and political rebuilding; to follow accountable, transparent and corruption-free policies for stability; and a carefully sequenced opening of investment and trade to deliver economic growth. The PRSP is that strategy.

Preparing the PRSP

The PRSP has been prepared through extensive national consultations, led by an Inter-Ministerial Committee, chaired by the Vice-President. Preparation involved an open dialogue among key stakeholders: ministers, parliamentarians, local authorities, NGOs, civil society, the private sector, development partners, beneficiary groups and citizens including women, youth and children, supported by radio and television. Focus groups gave stakeholders' perceptions about poverty determinants and gender dimensions; identified a vision and priorities for poverty reduction. Thematic and sector working groups reviewed and designed programmes, identified gaps, and developed monitorable indicators. The approach developed popular ownership; it generated poverty information to define policy priorities, including mainstreaming gender and child-rights issues.

Poverty in Sierra Leone

The PRSP **analysed poverty** to underpin policy design. It shows that poverty is widespread and deep. About 26 percent of the population is food poor, and cannot afford a basic diet; 70 percent live in poverty. There is wide disparity in poverty's geographical distribution: although about 66 percent of the 4.8 million population live in rural areas, three-quarters of the poor are rural. In the poorest districts (where war destroyed tree crops, or which rely on poor subsistence agriculture or artisanal mining) more than 8 out of 10 people live in poverty. Sierra Leone's poverty profile shows that the main poverty indicators are insufficient food, poor housing, poor health, and high infant and maternal mortality, high illiteracy, limited access to clean water, and lack of money.

Sierra Leone's **poor social indicators** reflect the low level of human development, with especial poverty among rural women. Maternal mortality, infant mortality and fertility rates are among the worst in the world. Contraceptive prevalence remains low, as does female school attendance. **Household poverty** is high among subsistence farmers, as well as among households whose heads have little formal education, and large households. The high poverty rate among youth indicates the lack of economic opportunities for this potentially productive group.

Macro-Economic Developments and Structural Reform

By 1990, the economy was near collapse, with rapid inflation and a severe external payments imbalance. War destroyed most economic and physical infrastructure; mining was halted, farms abandoned, tree crop plantations and lowland rice fields returned to bush or mangrove. Social services outside Freetown virtually stopped with large-scale destruction of education and health infrastructure.

The restoration of security facilitated **economic recovery**. Post-war macroeconomic management has been widely acclaimed for maintaining stability and achieving growth. However, poverty is pervasive, and there is a wide national determination that policy should now aim at poverty reduction. **Real GDP** rose by an annual average of 15% p.a. 2000-04, with broad recovery spurred by reconstruction work. Domestic revenue

increased. Inflation fell sharply in 2001, and continued low. The official exchange rate and interest rates remained stable, 2001-03. However, inflationary pressures have re-emerged, initially from higher fuel costs, expansionary monetary policy (partly owing to delays in donor support), and exchange rate depreciation. Exports grew, but imports also remained high due to reconstruction and higher oil prices. The current account deficit was projected at 25 percent of GDP in 2004.

Earlier progress had been made over the years in **stabilising and structural reforms**, as successive governments sought to deal with economic decline through IMF, World Bank and AfDB programmes. However, economic pressures and conflict limited their success: they did not adequately stress social dimensions, and did not bring the expected human development benefits. Sierra Leone and its partners realize that the post-conflict development agenda needs a fresh approach.

After the Peace Accord, Government adopted further **economic recovery programmes**, supported by the IMF, the World Bank, the European Union and UK-DFID, to re-establish macroeconomic stability, rehabilitate economic and social infrastructure and rebuild capacity. In 2001, the IMF approved the **IPRSP and the first Poverty Reduction and Growth Facility (PRGF)** programme, up to June 2005, to address desperate poverty and to enhance growth. Sierra Leone met the HIPC conditions in 2002 and began receiving relief. Development partners supported programmes for governance, security, agriculture, health, education, and capacity building. The forthcoming IMF review will determine the elements of a successor PRGF arrangement.

Progress has been made in post-war **structural, financial management and institutional reforms**. Public procurement has been reformed; local government restored to decentralise service delivery; judicial and legal reforms are improving the justice system; the security system has been restructured; an Anti-money Laundering Act enacted; the investment climate deregulated; and privatisation started.

Macroeconomic policy, following policies of the so-far successful PRGF, is calculated to sustain high growth, maintain a stable macroeconomic and financial environment, and, above all, to reduce poverty. Real GDP is expected to grow between 6 and 9 percent p.a.; inflation at single digit rates; and the current account deficit to narrow. Government will tackle the budget deficit and money supply growth through strict fiscal and monetary discipline, and maintain flexible exchange rates and liberal trade. Structural impediments will be removed, particularly in mining and fisheries, and civil service and public enterprise reform will continue.

Fiscal policy will seek to continue the domestic revenue recovery, and improve expenditure management, re-orienting public expenditures in favour of security, social services, infrastructure and economic activities. Government expenditure is projected at 26 to 28 percent of GDP, 2005-07; the budget deficit from 14.6 percent of GDP in 2005 to 5.7 percent in 2007. Bank financing of the deficit will be around one percent of GDP in 2005 and eliminated in 2006-07, reducing inflationary financing. In **monetary policy**, the increasing money supply, the depreciating exchange rate, and higher inflation pose

short and medium term challenges. The central bank targets broad money expanding by 14 percent p.a. up to 2007, while ensuring that sufficient longer term credit is available to the private sector. The bank will adjust commercial banks' reserve requirements to control liquidity. **Financial sector reforms** will be geared towards ensuring a competitive, efficient financial sector to support private sector development, expanding rural financial institutions and building public confidence.

Sierra Leone's **public external debt** was US\$1.6 billion at the end of 2003 (multilateral 59%, bilateral 27%, commercial 14%). There were eight rounds of Paris Club debt restructuring; much debt was cancelled as Sierra Leone met HIPC conditions in 2002. Government has restructured debts to other bilateral and some commercial creditors. But most commercial creditors have still to deliver comparable terms; some have threatened legal action. External debt appears to be sustainable, 2005-07, after unconditional HIPC delivery. However, the NPV of total debt to exports after HIPC relief is likely to remain high because of new borrowing to finance reconstruction.

Domestic debt has gained prominence and must be handled carefully. Domestic interest payments account for one-third of domestic revenue, more than double external payments. Government was confronted with huge arrears to domestic suppliers, contractors and utilities. It adopted a scheme to buy debts at a discount: all eligible debts have been settled except for one large creditor. For utility arrears, it adopted set-off settlement arrangements which are reducing the problem. Government will continue to implement its Commitment Control System to avoid further build-up of arrears.

Growth and Poverty. Government calculations of the relation between poverty and economic growth show that a 1 percent increase in income reduces poverty incidence by 0.8 percent. Taking account of population growth, the economy needs to grow by more than 6 percent p.a. to meet the MDG 2015 goal of halving poverty to 35 percent. Since the **largest sectors** in the economy are agriculture (about 30% of GDP), mining (20% of GDP) and informal economic activities, their performance is particularly important to achieve growth. Since the war, agriculture has been growing at 4.4% p.a., and mining at 5.8% p.a.; the fastest growing sectors have been electricity/water and construction, followed by manufacturing.

Poverty Reduction Strategy

To reverse poverty and its underlying causes, Sierra Leone is following a new strategic direction, to build towards the MDG targets and Vision 2025. The 2005-2007 PRSP provides bold sectoral policies and institutional reforms to achieve economic growth, providing food security, job opportunities, basic social services and effective social safety nets. It proposes actions to address (a) short-term living conditions, and (b) long-term causes of conflict and poverty. Consolidation of peace and security, and continued deepening of reform, will ensure that growth translates into reduced poverty and improved human development. By linking the PRSP to attaining the MDGs, government expects maximum cooperation and support from the international community.

The PRSP is Sierra Leone's first – if late – step towards the MDG 2015 targets. It complies with the World Bank comprehensive development framework, with stakeholder and community ownership. It is results-oriented towards long-term poverty reduction, monitorable, multidimensional, prioritised and feasible; there is coordinated development partner participation. Risks include possible shortfalls in aid, investment, and domestic revenue; regional insecurity; delays in providing social services and re-launching economic activities; collapse of fiscal and monetary discipline; weak commitment to devolution; a failing anti-corruption agenda; and weak implementation capacity. There are risks associated with the world economy, such as high oil prices; continued protectionism by developed countries; and deteriorating terms of trade.

The three-year PRSP framework will be **updated continually**, with full stakeholder participation, to provide follow-up strategies as objectives are met and priorities change. It will roll over every three years. Close links will be built with the medium-term expenditure framework (MTEF) process: the MTEF is the PRSP budget allocation process, while the PRSP is the Government's poverty-reduction plan guiding the MTEF. The **PRSP, MTEF and Public Investment Programme** processes will be synchronised.

The **PRSP has three pillars**, each with objectives closely tied to the MDGs. They are **Pillar One**: Promoting good governance, security and peace; **Pillar Two**: Pro-poor sustainable growth for food security and job creation; and **Pillar Three**: Human development.

Pillar One groups the programmes to ensure an enabling environment of good governance and secure, stable living conditions, so the basic poverty reduction objectives can be attained. Around it are anchored programmes for:

- **Good governance** including: speedy public sector reform based on a review of public sector functions, institutions, processes and staffing needs, and civil service pay structure; decentralisation of governance to democratically elected, accountable local councils with expenditure and revenue generation responsibilities; capacity building in public management; and measures to fight corruption.
- **Consolidating peace**, including: the Truth and Reconciliation Commission and the Special Court; judicial reform to improve the **administration of justice** and access to justice for the poor, reforming laws relating to women and children, countering violations of human rights, and improving the legal environment for private sector development. Actions will **strengthen democratic institutions** (including Parliament and the Ombudsman), and ensure independent broadcasting, press and media; public information and awareness raising will promote good governance practices.
- Strengthening **national security**. The armed forces (which protect the country's borders) will be restructured to be smaller in numbers but more robust and flexible; the police force will continue to hire, train and equip personnel to enable it to deliver internal public safety, law and order and help to resolve community-level conflicts.

Pillar Two relates to income and production: strategies, and programmes for food security and job creation through pro-poor sustainable growth. Food shortage is seen as

the most important determinant of poverty. Food security is at the heart of poverty reduction: it contributes to reduced child malnutrition and mortality, and improved maternal health. Pillar Two programmes include:

- **Food security strategy**, empowering poor rural and urban households to improve the food they consume, and encouraging farm families to produce more. Government will support small-scale subsistence farmers, who dominate agriculture, to diversify and increase production, improving crop storage, feeder roads and market access; and encourage private agriculture investment. Strengthened inter-sectoral linkages will support agriculture, fisheries and allied sectors.
- Development of **supportive infrastructure**. The PRSP gives priority to improving energy supply and the transportation and roads network, and developing information and communication technology. These sectors can improve productive sector growth, access to markets and life-enhancing services, and provide pre-conditions for private investment, including in employment-generating sectors such as tourism.
- Programmes for **private sector development**, including export and investment promotion, eliminating structural and physical barriers to investment, improving fiscal frameworks, supporting SMEs, micro-finance, and privatising public enterprises. Government will disengage from commercial and industrial activities, concentrating on supporting rather than competing with the private sector.
- Strategies for **mining**, the largest contributor to foreign earnings, and a major source of employment: reactivating existing large-scale mines, and promoting development of new ones. For small and artisanal mining, the goal is to improve miners' standard of living through modernising mineral rights licensing, providing access to finance, and extension services.
- Programmes to support the **tertiary sector**, including especially tourism.

Pillar Three supports human development. After food security, the priorities of the poor are access to education, health and water, as the route out of extreme poverty.

- **Education sector** objectives are basic education for all, and manpower development in key sectors. The New Education Policy focuses on three areas: on access to basic education, especially for girls, providing school feeding, and qualitative improvement (books, materials and teacher education); on tertiary training to meet human resources for poverty reduction programmes; and on HIV/AIDS prevention education. Special needs education for disabled and vulnerable children is a further objective.
- The overall goal for **health care** is equitable access to affordable basic services, improving quality of service and restructuring delivery mechanisms, especially for the poor and vulnerable. Care will focus on maternal, infant and under-five mortality, malaria and communicable diseases, HIV/AIDS and other STDs. Devolution of health management will encourage community participation. Government plans to strengthen secondary and tertiary services where they support the basic level, and to establish nurses training schools.
- To increase access to safe **water and sanitation**, government will promote sustainable management of facilities, sensitising communities and users to pay for services. Priorities are safe water for deprived communities in Greater Freetown, district headquarter towns and rural areas: rehabilitating water supply, providing waste disposal, and increasing community awareness of hygiene practices.

- Objectives to ease the critical shortage of **housing** for the poor are to provide an enabling environment for low-cost housing, facilitating micro-finance, land ownership, sustainable self-help construction, and environmental upgrading of slums. Development partners and NGOs have made important contributions, but programmes are far from meeting the needs.
- Improving **quality of life for the vulnerable**, including inclusion into mainstream society, through programmes set up by Government and its partners.
- The **youth**, the 15-35 age group, underwent violent, radical transformation during the conflict. Those engaged in harmful activities are now part of society. Youth's needs must receive attention in peace-building and poverty reduction. Programmes have been developed, and training opportunities provided, but youth development issues continue to pose challenges.
- **HIV/AIDS** is a complex problem with a direct relationship with poverty. Sierra Leone has the conditions for a potentially devastating epidemic; despite ongoing efforts with donor support, it needs further urgent assistance.
- Women's status has traditionally been low, with deep structural discrimination. Actions have been taken for **gender equality and empowerment**, but more radical progress is required. Gender issues have been mainstreamed into each pillar's strategies. As with all cross-cutting issues, government will provide coordination and advocacy.
- The PRSP recognizes the links between **poverty and the environment**. Environmental issues include land degradation from mining and deforestation, urban degradation, and pollution. Multi-sectoral environmental measures have been mainstreamed into Pillar strategies. Government will implement environmental policies, and improve the environmental institutional framework.

Cost and Financing of the PRSP

The PRSP presents a full, detailed costing of its programmes, both recurrent and development costs. Analysis was based on individual sub-programme costs. However, the estimates were made before the MTEF constraints were known. They are therefore indicative: they will be re-prioritised during 2005, when more MTEF assumptions are available. The costing exercise was hindered by weak sector planning capacity: accordingly, the PRSP includes a capacity building programme. Of course, the costs do not represent the full spending on poverty reduction: they do not include household contributions to poverty alleviation, such as cost recovery charges and extended family expenditures, nor large additional amounts spent directly by NGOs, donors, and philanthropy. The current low **institutional absorptive capacity** may slow implementation, and thus incidentally reduce costs. The PRSP assumes substantial assistance for institutional strengthening, to jump start operations.

PRSP priority projects and programmes for 2005-2007, at current prices, are **estimated to cost** Le5,314 billion (US\$1,786.7 million). This compares with MTEF poverty-related expenditure of Le2,428 billion (US\$784.8 million). Thus to implement the PRSP **minimum additional expenditure** of Le3,363 billion, or US\$941 million, would be required beyond the MTEF. PRSP spending in 2005 would be equivalent to 53% of GDP,

falling to 42.5% in 2007. Pillar One costs are estimated at US\$585.6 million, Pillar Two at US\$588 million, and Pillar Three at US\$543.5 million. (For comparison, total debt service 2005-07 is about Le696 billion)

The above financing gap calculations assume that Government would concentrate added spending only on PRSP programmes. However, this seems unlikely. Accordingly, a **High Case resource-needs scenario** was calculated, assuming that 80 percent of total resources net of interest and arrears payments will be dedicated to PRSP objectives. The **High Case funding gap** is slightly above US\$1 billion during PRSP implementation. The High Case scenario is more in line with the 2002 Consultative Group, in which donors pledged approximately US\$600 million.

Thus the PRSP needs assessment and programme prioritisation indicate that to realize its poverty-related objectives **Government must spend significantly more** than the current MTEF projections. To finance the additional PRSP expenditures, Government needs to secure new funds from both its own resources and its development partners. As the domestic resource base remains fragile, Government will continue to seek a **substantial increase in international assistance**, beyond HIPC relief, to finance budget deficits.

Public sector borrowing will not expand greatly, so as not to disrupt the PRGF macro-economic targets. Efforts will be made to **mobilise domestic resources**, from 47 percent to 64 percent of total budgetary resources (14 percent of GDP). The macroeconomic framework will be re-examined: the PRGF target GDP growth of 6 to 9 percent p.a. will need to increase to meet resource needs, with 12 percent p.a. being the maximum that can be targeted.

Implementing the PRSP and Building Capacity

For the PRSP to succeed, special implementing mechanisms will be needed, under national coordination led by the Inter-Ministerial Committee and Poverty Reduction Strategy Secretariat. Decentralisation will give a significant role to local councils, each of which will have a local planning function. Many institutions will be involved, at all levels – national, district, chiefdom and ward – to reflect the diversity of interests. NGOs, civil societies and community-based organisations will continue to play an important part.

Donor partnership is vital for the PRSP, in mobilising resources and in coordinating implementation. Donors have been closely involved with the preparation.. The magnitude of the task and related resource needs is such that development partners must take new responsibilities – to transfer resources, facilitate private sector development and increase market access for Sierra Leonean products. The close coordination of donor relations must continue; donors are coordinated, within the framework of the Consultative Group, by the joint Development Partnership Committee, co-chaired by the Vice President of the Republic, the World Bank and UNDP.

The **institutional and human resource capacity** for implementing the PRSP are weak. Absorptive capacity problems have prevented Sierra Leone from using some of the aid

committed to date. Capacity building will have a sharper, longer-term perspective. Donors have funded a series of strong capacity-building programmes; support is now shifting from technical assistance towards building indigenous human and institutional capacity. Additional help is urgently needed, especially to upgrade capacity of the newly-established local councils, to meet the local governance challenges implied wide-ranging devolution.

Monitoring and Evaluation

In the immediate post-conflict phase, the IPRSP provided a limited monitoring and evaluation (M&E) system, focusing on recovery during the transition. The wider, more detailed programmes of the PRSP call for more comprehensive M&E, and for an M&E mechanism. Detailed indicators have been developed to monitor progress towards the objectives and in implementing the programmes in each pillar. Particular attention will be given to monitoring decentralised PRSP management, as the new local councils take on planning, implementation, and M&E.

The PRS Secretariat will lead coordination of M&E, which will build on sector-specific programmes established in different agencies. It will work through specialised M&E working groups of public and non-government agencies. They will collaborate on resource allocation and expenditure; data and surveys (including public-expenditure tracking); community-based monitoring; and dissemination and policy analysis. The participatory mechanisms used for to prepare the PRSP will also be used to assess progress.

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ACRONYMS

| | | | |
|--------|---|---------|---|
| ACC | Anti-Corruption Commission | NEPAD | New Partnership for Africa's Development |
| AfDB | African Development Bank | NGO | Non-Government Organization |
| BSL | Bank of Sierra Leone | NPV | Net Present Value |
| CBO | Community-Based Organizations | NRA | National Revenue Authority |
| CSO | Civil Society Organization | NRS | National Recovery Strategy |
| CWIQ | Core Welfare Indicators Questionnaire | NTC | National Technical Committee |
| DACO | Development Assistance Coordinating Office | OCHA | |
| DEPAC | Development Partnership Committee | ONS | Office for National Security |
| DSA | Debt Sustainability Analysis | PASCO | Poverty Alleviation Strategy Coordinating Office |
| EBA | Everything-but-Arms EU initiative | PETS | Public Expenditure Tracking Survey |
| ECOMOG | West African Peacekeeping Force | PLF | Participatory Learning Forums |
| ECOWAS | Economic Community of West African States | PPA | Participatory Poverty Assessment |
| EPRU | Economic Policy Research Unit (in MoF) | PRGF | Poverty Reduction and Growth Facility (IMF) |
| EU | European Union | PRS | Poverty Reduction Strategy |
| FGD | Focus Group Discussions | PRSC | Poverty Reduction Steering Committee |
| GA | Gender Analysis | PRSP | Poverty Reduction Strategy Paper |
| GER | Gross Enrolment Ratio | PRWG | Poverty Reduction Working Group |
| GRS | | PSDS | Participatory Service Delivery Surveys |
| HIPC | Heavily Indebted Poor Countries Initiative | QUAP | Quick Action Programme |
| ICT | Information and Communications Technology | RFS | Right to Food Secretariat |
| IDPs | Internally Displaced Persons | RRR | Resettlement, Rehabilitation and Reconstruction Programme |
| IMC | Inter-Ministerial Committee | RSLAF | Republic of Sierra Leone Armed Forces |
| IPRSP | Interim Poverty Reduction Strategy Paper | RUF | Revolutionary United Front |
| MAFF | Ministry of Agriculture, Food and Forestry | RVA | Risk and Vulnerability Assessment |
| MDA | Ministries, Departments and Agencies (of Government) | SES | Senior Executive Service |
| MDG | Millennium Development Goals | SLIHS | Sierra Leone Integrated Household Survey |
| MEST | Ministry of Education, Science and Technology | SLIS | Sierra Leone Information System (in DACO) |
| MFMR | Ministry of Fisheries and Marine Resources | SLP | Sierra Leone Police |
| MLGCD | Ministry of Local Government | SLRA | Sierra Leone Roads Authority |
| MoDEP | Ministry of Development and Economic Planning | SPP | Strategic Planning and Action Process |
| MoF | Ministry of Finance | SSL | Statistical Office of Sierra Leone |
| MOHS | Ministry of Health | TRC | Truth and Reconciliation Commission |
| MSWGCA | Ministry of Social Welfare, Gender and Children's Affairs | UK-DFID | Department for International Development, UK |
| MTI | Ministry of Trade and Industry | UNAMSIL | United Nations Mission in Sierra Leone |
| NaCSA | National Commission for Social Action | WAMZ | West African Monetary Zone |
| NCP | National Commission for Privatisation | WFP | World Food Programme |

GOVERNMENT OF SIERRA LEONE
POVERTY REDUCTION STRATEGY PAPER
A National Programme for Food Security, Job Creation and Good
Governance, 2005-2007

EXECUTIVE SUMMARY

Introduction

Since the mid-1980s Sierra Leone has suffered dramatic economic decline. It has gone through a ten-year brutal armed conflict, with ever-worsening poverty. **Civil conflict** brought a breakdown of civil and political authority, and human tragedy: over 20,000 people were killed, 2 million displaced, and thousands injured or maimed, with human rights abuses including abduction of women and children. GDP per capita halved, with 80 percent of the people in poverty. Social, economic and physical infrastructure was destroyed. Poverty is worsened by rising disease, including HIV/AIDS, malaria and tuberculosis. Sierra Leone ranked bottom in the 2004 UNDP Human Development Index.

The source of **political instability** has lain less in ethnic or religious rivalry, than in the history of extremely poor governance, widespread corruption, and the marginalisation of rural communities, through overpowering, inefficient central government. These were compounded by the early collapse of local government, and worsening terms of trade for limited exports.

Successive **peace processes** finally ended hostilities in 2001; civil authority was gradually restored, with much support from the international community. Reconstruction programmes reintegrated ex-combatants, refugees and displaced persons into active community life. A Truth and Reconciliation Commission and a Special Court were established for war-related “wounds”. Peaceful national elections were held in May 2002.

An **Interim PRSP** (IPRSP) was finalised in 2001, and a National Recovery Strategy (NRS) in 2002, to support transition from peace-keeping to peace-building, and to equitable growth and sustainable development. In 2003, Sierra Leone articulated “Vision 2025” an overall vision of its longer-term development agenda, within which the poverty strategy is set. Vision 2025, prepared over six years with wide stakeholder participation, provides a long-term strategic vision to leave conflict behind and provide a better life.

Successfully implemented, the IPRSP and NRS resulted in **economic recovery** in 2001-2004. With much international support, progress was made in consolidating security, in rebuilding social sectors and economic capital, and supporting the vulnerable. Now a **comprehensive poverty reduction strategy** is needed, supporting Vision 2025, pursuing economic, social and political rebuilding; to follow accountable, transparent and corruption-free policies for stability; and a carefully sequenced opening of investment and trade to deliver economic growth. The PRSP is that strategy.

Preparing the PRSP

The PRSP has been prepared through extensive national consultations, led by an Inter-Ministerial Committee, chaired by the Vice-President. Preparation involved an open dialogue among key stakeholders: ministers, parliamentarians, local authorities, NGOs, civil society, the private sector, development partners, beneficiary groups and citizens including women, youth and children, supported by radio and television. Focus groups gave stakeholders' perceptions about poverty determinants and gender dimensions; identified a vision and priorities for poverty reduction. Thematic and sector working groups reviewed and designed programmes, identified gaps, and developed monitorable indicators. The approach developed popular ownership; it generated poverty information to define policy priorities, including mainstreaming gender and child-rights issues.

Poverty in Sierra Leone

The PRSP **analysed poverty** to underpin policy design. It shows that poverty is widespread and deep. About 26 percent of the population is food poor, and cannot afford a basic diet; 70 percent live in poverty. There is wide disparity in poverty's geographical distribution: although about 66 percent of the 4.8 million population live in rural areas, three-quarters of the poor are rural. In the poorest districts (where war destroyed tree crops, or which rely on poor subsistence agriculture or artisanal mining) more than 8 out of 10 people live in poverty. Sierra Leone's poverty profile shows that the main poverty indicators are insufficient food, poor housing, poor health, and high infant and maternal mortality, high illiteracy, limited access to clean water, and lack of money.

Sierra Leone's **poor social indicators** reflect the low level of human development, with especial poverty among rural women. Maternal mortality, infant mortality and fertility rates are among the worst in the world. Contraceptive prevalence remains low, as does female school attendance. **Household poverty** is high among subsistence farmers, as well as among households whose heads have little formal education, and large households. The high poverty rate among youth indicates the lack of economic opportunities for this potentially productive group.

Macro-Economic Developments and Structural Reform

By 1990, the economy was near collapse, with rapid inflation and a severe external payments imbalance. War destroyed most economic and physical infrastructure; mining was halted, farms abandoned, tree crop plantations and lowland rice fields returned to bush or mangrove. Social services outside Freetown virtually stopped with large-scale destruction of education and health infrastructure.

The restoration of security facilitated **economic recovery**. Post-war macroeconomic management has been widely acclaimed for maintaining stability and achieving growth. However, poverty is pervasive, and there is a wide national determination that policy should now aim at poverty reduction. **Real GDP** rose by an annual average of 15% p.a. 2000-04, with broad recovery spurred by reconstruction work. Domestic revenue

increased. Inflation fell sharply in 2001, and continued low. The official exchange rate and interest rates remained stable, 2001-03. However, inflationary pressures have re-emerged, initially from higher fuel costs, expansionary monetary policy (partly owing to delays in donor support), and exchange rate depreciation. Exports grew, but imports also remained high due to reconstruction and higher oil prices. The current account deficit was projected at 25 percent of GDP in 2004.

Earlier progress had been made over the years in **stabilising and structural reforms**, as successive governments sought to deal with economic decline through IMF, World Bank and AfDB programmes. However, economic pressures and conflict limited their success: they did not adequately stress social dimensions, and did not bring the expected human development benefits. Sierra Leone and its partners realize that the post-conflict development agenda needs a fresh approach.

After the Peace Accord, Government adopted further **economic recovery programmes**, supported by the IMF, the World Bank, the European Union and UK-DFID, to re-establish macroeconomic stability, rehabilitate economic and social infrastructure and rebuild capacity. In 2001, the IMF approved the **IPRSP and the first Poverty Reduction and Growth Facility (PRGF)** programme, up to June 2005, to address desperate poverty and to enhance growth. Sierra Leone met the HIPC conditions in 2002 and began receiving relief. Development partners supported programmes for governance, security, agriculture, health, education, and capacity building. The forthcoming IMF review will determine the elements of a successor PRGF arrangement.

Progress has been made in post-war **structural, financial management and institutional reforms**. Public procurement has been reformed; local government restored to decentralise service delivery; judicial and legal reforms are improving the justice system; the security system has been restructured; an Anti-money Laundering Act enacted; the investment climate deregulated; and privatisation started.

Macroeconomic policy, following policies of the so-far successful PRGF, is calculated to sustain high growth, maintain a stable macroeconomic and financial environment, and, above all, to reduce poverty. Real GDP is expected to grow between 6 and 9 percent p.a.; inflation at single digit rates; and the current account deficit to narrow. Government will tackle the budget deficit and money supply growth through strict fiscal and monetary discipline, and maintain flexible exchange rates and liberal trade. Structural impediments will be removed, particularly in mining and fisheries, and civil service and public enterprise reform will continue.

Fiscal policy will seek to continue the domestic revenue recovery, and improve expenditure management, re-orienting public expenditures in favour of security, social services, infrastructure and economic activities. Government expenditure is projected at 26 to 28 percent of GDP, 2005-07; the budget deficit from 14.6 percent of GDP in 2005 to 5.7 percent in 2007. Bank financing of the deficit will be around one percent of GDP in 2005 and eliminated in 2006-07, reducing inflationary financing. In **monetary policy**, the increasing money supply, the depreciating exchange rate, and higher inflation pose

short and medium term challenges. The central bank targets broad money expanding by 14 percent p.a. up to 2007, while ensuring that sufficient longer term credit is available to the private sector. The bank will adjust commercial banks' reserve requirements to control liquidity. **Financial sector reforms** will be geared towards ensuring a competitive, efficient financial sector to support private sector development, expanding rural financial institutions and building public confidence.

Sierra Leone's **public external debt** was US\$1.6 billion at the end of 2003 (multilateral 59%, bilateral 27%, commercial 14%). There were eight rounds of Paris Club debt restructuring; much debt was cancelled as Sierra Leone met HIPC conditions in 2002. Government has restructured debts to other bilateral and some commercial creditors. But most commercial creditors have still to deliver comparable terms; some have threatened legal action. External debt appears to be sustainable, 2005-07, after unconditional HIPC delivery. However, the NPV of total debt to exports after HIPC relief is likely to remain high because of new borrowing to finance reconstruction.

Domestic debt has gained prominence and must be handled carefully. Domestic interest payments account for one-third of domestic revenue, more than double external payments. Government was confronted with huge arrears to domestic suppliers, contractors and utilities. It adopted a scheme to buy debts at a discount: all eligible debts have been settled except for one large creditor. For utility arrears, it adopted set-off settlement arrangements which are reducing the problem. Government will continue to implement its Commitment Control System to avoid further build-up of arrears.

Growth and Poverty. Government calculations of the relation between poverty and economic growth show that a 1 percent increase in income reduces poverty incidence by 0.8 percent. Taking account of population growth, the economy needs to grow by more than 6 percent p.a. to meet the MDG 2015 goal of halving poverty to 35 percent. Since the **largest sectors** in the economy are agriculture (about 30% of GDP), mining (20% of GDP) and informal economic activities, their performance is particularly important to achieve growth. Since the war, agriculture has been growing at 4.4% p.a., and mining at 5.8% p.a.; the fastest growing sectors have been electricity/water and construction, followed by manufacturing.

Poverty Reduction Strategy

To reverse poverty and its underlying causes, Sierra Leone is following a new strategic direction, to build towards the MDG targets and Vision 2025. The 2005-2007 PRSP provides bold sectoral policies and institutional reforms to achieve economic growth, providing food security, job opportunities, basic social services and effective social safety nets. It proposes actions to address (a) short-term living conditions, and (b) long-term causes of conflict and poverty. Consolidation of peace and security, and continued deepening of reform, will ensure that growth translates into reduced poverty and improved human development. By linking the PRSP to attaining the MDGs, government expects maximum cooperation and support from the international community.

The PRSP is Sierra Leone's first – if late – step towards the MDG 2015 targets. It complies with the World Bank comprehensive development framework, with stakeholder and community ownership. It is results-oriented towards long-term poverty reduction, monitorable, multidimensional, prioritised and feasible; there is coordinated development partner participation. Risks include possible shortfalls in aid, investment, and domestic revenue; regional insecurity; delays in providing social services and re-launching economic activities; collapse of fiscal and monetary discipline; weak commitment to devolution; a failing anti-corruption agenda; and weak implementation capacity. There are risks associated with the world economy, such as high oil prices; continued protectionism by developed countries; and deteriorating terms of trade.

The three-year PRSP framework will be **updated continually**, with full stakeholder participation, to provide follow-up strategies as objectives are met and priorities change. It will roll over every three years. Close links will be built with the medium-term expenditure framework (MTEF) process: the MTEF is the PRSP budget allocation process, while the PRSP is the Government's poverty-reduction plan guiding the MTEF. The **PRSP, MTEF and Public Investment Programme** processes will be synchronised.

The **PRSP has three pillars**, each with objectives closely tied to the MDGs. They are **Pillar One**: Promoting good governance, security and peace; **Pillar Two**: Pro-poor sustainable growth for food security and job creation; and **Pillar Three**: Human development.

Pillar One groups the programmes to ensure an enabling environment of good governance and secure, stable living conditions, so the basic poverty reduction objectives can be attained. Around it are anchored programmes for:

- **Good governance** including: speedy public sector reform based on a review of public sector functions, institutions, processes and staffing needs, and civil service pay structure; decentralisation of governance to democratically elected, accountable local councils with expenditure and revenue generation responsibilities; capacity building in public management; and measures to fight corruption.
- **Consolidating peace**, including: the Truth and Reconciliation Commission and the Special Court; judicial reform to improve the **administration of justice** and access to justice for the poor, reforming laws relating to women and children, countering violations of human rights, and improving the legal environment for private sector development. Actions will **strengthen democratic institutions** (including Parliament and the Ombudsman), and ensure independent broadcasting, press and media; public information and awareness raising will promote good governance practices.
- Strengthening **national security**. The armed forces (which protect the country's borders) will be restructured to be smaller in numbers but more robust and flexible; the police force will continue to hire, train and equip personnel to enable it to deliver internal public safety, law and order and help to resolve community-level conflicts.

Pillar Two relates to income and production: strategies, and programmes for food security and job creation through pro-poor sustainable growth. Food shortage is seen as

the most important determinant of poverty. Food security is at the heart of poverty reduction: it contributes to reduced child malnutrition and mortality, and improved maternal health. Pillar Two programmes include:

- **Food security strategy**, empowering poor rural and urban households to improve the food they consume, and encouraging farm families to produce more. Government will support small-scale subsistence farmers, who dominate agriculture, to diversify and increase production, improving crop storage, feeder roads and market access; and encourage private agriculture investment. Strengthened inter-sectoral linkages will support agriculture, fisheries and allied sectors.
- Development of **supportive infrastructure**. The PRSP gives priority to improving energy supply and the transportation and roads network, and developing information and communication technology. These sectors can improve productive sector growth, access to markets and life-enhancing services, and provide pre-conditions for private investment, including in employment-generating sectors such as tourism.
- Programmes for **private sector development**, including export and investment promotion, eliminating structural and physical barriers to investment, improving fiscal frameworks, supporting SMEs, micro-finance, and privatising public enterprises. Government will disengage from commercial and industrial activities, concentrating on supporting rather than competing with the private sector.
- Strategies for **mining**, the largest contributor to foreign earnings, and a major source of employment: reactivating existing large-scale mines, and promoting development of new ones. For small and artisanal mining, the goal is to improve miners' standard of living through modernising mineral rights licensing, providing access to finance, and extension services.
- Programmes to support the **tertiary sector**, including especially tourism.

Pillar Three supports human development. After food security, the priorities of the poor are access to education, health and water, as the route out of extreme poverty.

- **Education sector** objectives are basic education for all, and manpower development in key sectors. The New Education Policy focuses on three areas: on access to basic education, especially for girls, providing school feeding, and qualitative improvement (books, materials and teacher education); on tertiary training to meet human resources for poverty reduction programmes; and on HIV/AIDS prevention education. Special needs education for disabled and vulnerable children is a further objective.
- The overall goal for **health care** is equitable access to affordable basic services, improving quality of service and restructuring delivery mechanisms, especially for the poor and vulnerable. Care will focus on maternal, infant and under-five mortality, malaria and communicable diseases, HIV/AIDS and other STDs. Devolution of health management will encourage community participation. Government plans to strengthen secondary and tertiary services where they support the basic level, and to establish nurses training schools.
- To increase access to safe **water and sanitation**, government will promote sustainable management of facilities, sensitising communities and users to pay for services. Priorities are safe water for deprived communities in Greater Freetown, district headquarter towns and rural areas: rehabilitating water supply, providing waste disposal, and increasing community awareness of hygiene practices.

- Objectives to ease the critical shortage of **housing** for the poor are to provide an enabling environment for low-cost housing, facilitating micro-finance, land ownership, sustainable self-help construction, and environmental upgrading of slums. Development partners and NGOs have made important contributions, but programmes are far from meeting the needs.
- Improving **quality of life for the vulnerable**, including inclusion into mainstream society, through programmes set up by Government and its partners.
- The **youth**, the 15-35 age group, underwent violent, radical transformation during the conflict. Those engaged in harmful activities are now part of society. Youth's needs must receive attention in peace-building and poverty reduction. Programmes have been developed, and training opportunities provided, but youth development issues continue to pose challenges.
- **HIV/AIDS** is a complex problem with a direct relationship with poverty. Sierra Leone has the conditions for a potentially devastating epidemic; despite ongoing efforts with donor support, it needs further urgent assistance.
- Women's status has traditionally been low, with deep structural discrimination. Actions have been taken for **gender equality and empowerment**, but more radical progress is required. Gender issues have been mainstreamed into each pillar's strategies. As with all cross-cutting issues, government will provide coordination and advocacy.
- The PRSP recognizes the links between **poverty and the environment**. Environmental issues include land degradation from mining and deforestation, urban degradation, and pollution. Multi-sectoral environmental measures have been mainstreamed into Pillar strategies. Government will implement environmental policies, and improve the environmental institutional framework.

Cost and Financing of the PRSP

The PRSP presents a full, detailed costing of its programmes, both recurrent and development costs. Analysis was based on individual sub-programme costs. However, the estimates were made before the MTEF constraints were known. They are therefore indicative: they will be re-prioritised during 2005, when more MTEF assumptions are available. The costing exercise was hindered by weak sector planning capacity: accordingly, the PRSP includes a capacity building programme. Of course, the costs do not represent the full spending on poverty reduction: they do not include household contributions to poverty alleviation, such as cost recovery charges and extended family expenditures, nor large additional amounts spent directly by NGOs, donors, and philanthropy. The current low **institutional absorptive capacity** may slow implementation, and thus incidentally reduce costs. The PRSP assumes substantial assistance for institutional strengthening, to jump start operations.

PRSP priority projects and programmes for 2005-2007, at current prices, are **estimated to cost** Le5,314 billion (US\$1,786.7 million). This compares with MTEF poverty-related expenditure of Le2,428 billion (US\$784.8 million). Thus to implement the PRSP **minimum additional expenditure** of Le3,363 billion, or US\$941 million, would be required beyond the MTEF. PRSP spending in 2005 would be equivalent to 53% of GDP,

falling to 42.5% in 2007. Pillar One costs are estimated at US\$585.6 million, Pillar Two at US\$588 million, and Pillar Three at US\$543.5 million. (For comparison, total debt service 2005-07 is about Le696 billion)

The above financing gap calculations assume that Government would concentrate added spending only on PRSP programmes. However, this seems unlikely. Accordingly, a **High Case resource-needs scenario** was calculated, assuming that 80 percent of total resources net of interest and arrears payments will be dedicated to PRSP objectives. The **High Case funding gap** is slightly above US\$1 billion during PRSP implementation. The High Case scenario is more in line with the 2002 Consultative Group, in which donors pledged approximately US\$600 million.

Thus the PRSP needs assessment and programme prioritisation indicate that to realize its poverty-related objectives **Government must spend significantly more** than the current MTEF projections. To finance the additional PRSP expenditures, Government needs to secure new funds from both its own resources and its development partners. As the domestic resource base remains fragile, Government will continue to seek a **substantial increase in international assistance**, beyond HIPC relief, to finance budget deficits.

Public sector borrowing will not expand greatly, so as not to disrupt the PRGF macro-economic targets. Efforts will be made to **mobilise domestic resources**, from 47 percent to 64 percent of total budgetary resources (14 percent of GDP). The macroeconomic framework will be re-examined: the PRGF target GDP growth of 6 to 9 percent p.a. will need to increase to meet resource needs, with 12 percent p.a. being the maximum that can be targeted.

Implementing the PRSP and Building Capacity

For the PRSP to succeed, special implementing mechanisms will be needed, under national coordination led by the Inter-Ministerial Committee and Poverty Reduction Strategy Secretariat. Decentralisation will give a significant role to local councils, each of which will have a local planning function. Many institutions will be involved, at all levels – national, district, chiefdom and ward – to reflect the diversity of interests. NGOs, civil societies and community-based organisations will continue to play an important part.

Donor partnership is vital for the PRSP, in mobilising resources and in coordinating implementation. Donors have been closely involved with the preparation.. The magnitude of the task and related resource needs is such that development partners must take new responsibilities – to transfer resources, facilitate private sector development and increase market access for Sierra Leonean products. The close coordination of donor relations must continue; donors are coordinated, within the framework of the Consultative Group, by the joint Development Partnership Committee, co-chaired by the Vice President of the Republic, the World Bank and UNDP.

The **institutional and human resource capacity** for implementing the PRSP are weak. Absorptive capacity problems have prevented Sierra Leone from using some of the aid

committed to date. Capacity building will have a sharper, longer-term perspective. Donors have funded a series of strong capacity-building programmes; support is now shifting from technical assistance towards building indigenous human and institutional capacity. Additional help is urgently needed, especially to upgrade capacity of the newly-established local councils, to meet the local governance challenges implied wide-ranging devolution.

Monitoring and Evaluation

In the immediate post-conflict phase, the IPRSP provided a limited monitoring and evaluation (M&E) system, focusing on recovery during the transition. The wider, more detailed programmes of the PRSP call for more comprehensive M&E, and for an M&E mechanism. Detailed indicators have been developed to monitor progress towards the objectives and in implementing the programmes in each pillar. Particular attention will be given to monitoring decentralised PRSP management, as the new local councils take on planning, implementation, and M&E.

The PRS Secretariat will lead coordination of M&E, which will build on sector-specific programmes established in different agencies. It will work through specialised M&E working groups of public and non-government agencies. They will collaborate on resource allocation and expenditure; data and surveys (including public-expenditure tracking); community-based monitoring; and dissemination and policy analysis. The participatory mechanisms used for to prepare the PRSP will also be used to assess progress.

GOVERNMENT OF SIERRA LEONE
POVERTY REDUCTION STRATEGY PAPER
A National Programme for Food Security, Job Creation and Good
Governance, 2005-2007

CHAPTER ONE

INTRODUCTION

1.0 Political and Economic Context

Sierra Leone became independent on the 27th April 1961 and was subsequently declared a Republic on 19th April 1971. Independence was achieved with promised hopes for rapid development, based on the abundant natural resource endowment, including a wide variety of rich mineral, agricultural, forestry and marine wealth. These hopes were, however, dashed by the end of the first decade. Since the mid-1980s, the country has suffered dramatic economic decline and political instability. It has gone through five military coups, and a brutal armed conflict that lasted for just over ten years (March 1991-January 2002).

Compared to other conflict-affected developing countries, the source of Sierra Leone's political instability lies less in ethnic and religious rivalry, than in extremely poor governance and widespread corruption, as well as the marginalisation and disempowerment of rural communities, through overpowering and inefficient central government intervention in the delivery of public services. These problems were compounded by the collapse of local government administration shortly after independence, and worsening terms of trade for the country's limited export commodities, as well as adverse social and other developments in the world economy.

On the economic front, annual growth averaged about 4 percent and 3.5 percent in the 1960s and 1970s respectively. Growth slowed dramatically to an average of 1.5 percent in the 1980s, largely on account of misguided economic policies and economic mismanagement. In the late 1980s, Government introduced a series of macroeconomic and structural reforms in consultation with its development partners, aimed at stabilising the economy and restoring growth (reduction of the budget deficit, liberalisation of the exchange rate, abolition of price controls and exchange restrictions). The civil war in the 1990s derailed this programme and the economy plunged at an average of -4.5 percent per annum between 1990 and 2000.

Poverty increased as the economy declined, but became more pervasive and intensified during the 1990s. GDP per capita nearly halved during that period, reaching US\$142 in 2000. About 82 percent of the population lived below the poverty line; Sierra Leone had one of the most skewed income distributions in the world, with a Gini Index of 66. Since 1996, Sierra Leone has been ranked among the least developed in the UNDP Human Development Index, and is ranked bottom in the 2004 Index. The poverty situation is

worsened by the rising incidence of HIV/AIDS, typhoid, malaria and communicable diseases, including tuberculosis.

1.1 The Civil War and its Aftermath

The social and economic impacts of the 10-year civil conflict were devastating. The brutal attacks by the Revolutionary United Front (RUF) that began in March 1991 and backed by cross sections of the national armed forces left a trail of human tragedy. An estimated 20,000 people were killed and thousands more injured or maimed. Over 2 million people were displaced; 500,000 fled to neighbouring countries. There was a mass exodus of skilled professionals, to Freetown and out of the country, leaving most of the country drained of skilled manpower. The damage extended to significant loss of property and the abduction of women and children for sex, labour and combat. Most of the country's social, economic and physical infrastructure was destroyed. Local community social and productive infrastructure, such as markets, stores, rice mills, and community service buildings, were completely vandalised.

At the height of the civil conflict, there was almost a complete breakdown of civil and political authority in the country, giving rise to tremendous human rights abuses. Mining and agricultural activities, the lifeline of the country, were essentially brought to a halt. Farms were ravaged or abandoned, while the livestock population was almost entirely wiped out.

1.2 Conflict Resolution and Peacekeeping

National elections in March 1996 saw the peaceful transition of power to Sierra Leone's first democratically elected Government in nearly 30 years, and the new President, Alhaji Dr. Ahmad Tejan Kabbah, quickly commenced tangible talks with the rebels, which resulted in the first Peace Agreement, signed in Abidjan, La Cote d'Ivoire, on 30th November 1996. This agreement and the peace process collapsed in May 1997. A second Peace Agreement was signed in Lome, Togo on 7th July 1999. These agreements ushered in the arrival of the West African Peacekeeping Force (ECOMOG) and later the UN peacekeeping mission (UNAMSIL).

The final phase of disarmament and demobilisation of all combatants got underway from May 2001 to January 2002, with the support of the multi-donor funded Disarmament, Demobilisation and Reintegration programme. A total of 72,490 combatants were disarmed and 71,043 demobilised, including 6,845 child soldiers. The rebel war was declared over on 18th January 2002. By the end of February 2004, over 56,000 ex-combatants had received support for reintegration into active community life. The Reconstruction, Resettlement and Rehabilitation programme supported the resettlement of refugees and internally displaced persons (IDPs) in their communities. These events paved the way for peaceful National Elections (both legislative and presidential) in May 2002, in which the RUF participated as a political party, and the gradual restoration of civil authority all over the country.

A Truth and Reconciliation Commission (TRC) was set up as a mechanism to help heal the war-related "wounds". The Commission successfully concluded its work in June 2004 after two years. A UN-sponsored Special Court was established in 2003 for prosecuting

those that “bore the greatest responsibility for the war damages”. The court has commenced the trials process, scheduled to end in 2006. In 2004, the United Nations Security Council commenced a gradual, phased withdrawal of UNAMSIL, taking into account a number of security-related factors, including the continued restructuring and development of the national military and police forces to prevent any renewed instability.

1.3. Post-Conflict Challenges

Sierra Leone’s post-conflict economic, social and political rebuilding needs stem primarily from decades of economic mismanagement, wide-spread corruption, inefficient state control over economic and political activity, lack of investment in critical economic and social areas, and a decade-long devastating civil war, which also severely constrained the Government’s ability to sustain any reforms. Significant progress has been made in stabilising the economy and removing many of the structural impediments to growth, despite fundamental disruptions from the rebel war combined with continuously higher than programmed security-related spending. However, overall, implementation of macroeconomic and structural adjustment programmes has not brought the expected benefits in terms of sustained growth and human development. The fundamental ideology of the programmes and their implementation stressed stabilisation and macroeconomic balance without adequate attention to human conditions, especially of the poor, as well as the social and economic dimensions of the war. This brought the realization not only within Sierra Leone but also among the country’s cooperating partners – notably the World Bank, IMF, AfDB, UNDP, EU and UK-DFID – that there was need for a fresh approach to the post-conflict development agenda.

1.3.1 The Interim Poverty Reduction Strategy Paper and the National Recovery Strategy

Government formulated a poverty reduction strategy in the form of an Interim PRSP (IPRSP), which was finalised in June 2001, and subsequently endorsed by the Joint Executive Boards of the IMF and World Bank in September of the same year. The IPRSP reflected Government’s priority to address the challenges of transition from war to peace, and the first assessment of actions needed to achieve this objective. The IPRSP aimed at rebuilding the country while addressing the causes of the war, through a responsive poverty reduction programme and pro-poor economic growth.

The IPRSP’s objectives, which were cast in a medium-term framework, were to be implemented in two phases. The first, transitional phase (2001-2002) placed emphasis on: (a) restoring national security and good governance; (b) re-launching the economy; and (c) providing basic social services to the most vulnerable groups. The medium-term (2003-2004) phase would focus on good governance, revival of the economy, and social sector development. In a Consultative Group meeting held in Paris in November 2002, Government and its development partners laid out an updated agenda for poverty reduction and development. The programme was designed to support the transition from peace-keeping to peace-building, and from relief to equitable growth and sustainable development. It was to ensure that “Sierra Leone leaves conflict behind forever and

provides a better life for its people". The new focus reinforced Government's commitment to its overarching goal of poverty reduction, through a participatory approach and monitorable poverty outcomes. The emphasis was on measures: (a) to maintain economic stability; (b) to enhance the population's capacity to undertake income-generating activities, raising productivity and employment; (c) to secure the resources to fight poverty and deliver quality public services; and (d) to rebuild security, governance, justice, human rights and security. The new agenda also provided for implementation of a national recovery strategy to improve the provision of social and economic services in the immediate post-conflict period, and the preparation of a full PRSP that would consolidate and build on the gains made in implementing the IPRSP.

The National Recovery Strategy (NRS) was prepared and launched in October 2002 on the basis of detailed district assessments and local recovery plans. The NRS focused on: (a) the consolidation of state authority and peace-building; (b) promotion of reconciliation and enforcement of human rights; (c) facilitating resettlement and reintegration and rebuilding communities; (d) facilitating access to previously inaccessible areas and expediting service delivery; and (e) stimulating economic recovery. The NRS constituted the combined efforts of the Government and its development partners, particularly UNAMSIL and UNDP. The strategy was people-centred, seeking community empowerment and participation. It was seen as a bridge between emergency humanitarian assistance and longer-term development challenges.

Both the IPRSP and the NRS were successfully implemented during 2001-2004. With the full support of the international community, considerable progress was made in restoring security and consolidating peace throughout the country. Following the conclusion of the disarmament and demobilisation programme in February 2002, ex-combatants had been reintegrated, and virtually all IDPs and refugees resettled. A National Social Action Programme, implemented by the National Commission for Social Action (NaCSA), was launched with the intention to rebuild the social and economic capital at community level. The entire country is now accessible to Government and development partners, while business and consumer confidence has been substantially strengthened.

To implement the IPRSP and the NRS, Government allocated significant fiscal and budgetary resources, including HIPC debt relief, to fund critical poverty reduction activities especially in the social sectors (health, education, water and sanitation). Safety net programmes were developed to support the variety of war victims, including children, women, amputees, wounded soldiers, and the surviving families of soldiers killed in action. In the health sector, the increase in allocation was to enhance such areas as maternal and child health care, and the school health and expanded immunization programmes; as well as the purchase of drugs and medical equipment. In the education sector, the increased allocations catered for implementing the universal primary education programme, through provision of additional teaching and learning materials for primary schools, payment of examination fees, and provision of textbooks to all secondary schools.

The IPRSP and NRS resulted in sustained recovery of the economy in 2001-2004. Real GDP expanded by 3.8 percent in 2000, 5.4 percent in 2001, 6.3 percent in 2002 and 6.5 percent in 2003, and was projected to grow by 7.4 percent in 2004.. To consolidate these gains, the Government is fully embracing bold economic and structural reforms aimed at sustaining economic recovery and improving public financial management and service delivery. Major sector reforms are at an advanced stage and progress has been made in strengthening accountability and transparency, anti-corruption and monitoring of service delivery.

Political devolution has also progressed with the enactment of the Local Government Act 2004. The first local government elections in 32 years were successfully held in May 2004. Nineteen local councils were installed and after extensive consultations with line ministries and other stakeholders including local communities, Government prepared a comprehensive plan for devolving central government functions to the local councils. The Devolution Plan also specified the sequencing of the devolution process.

1.3.2. Long-term Development Challenges: Vision 2025

Government's poverty strategy is also set within the overall vision of Sierra Leone's longer-term development agenda articulated in Vision 2025. This document identifies the key objectives that need to be attained for Sierra Leone to leave conflict behind forever and provide a better life for its people. (See Box 1).

Box 1
Vision 2025

The decision to embark on Vision 2025 was based on the desire to create a better future for Sierra Leone - a future that is characterised by the virtuous circle of peace, stability and wealth creation, in place of the vicious circle of poverty and underdevelopment. As the country has experienced an unprecedented social, economic and political decline over the last three decades, it has become increasingly important to tackle certain critical challenges on its development agenda. The overall thrust of these challenges is the imperative of embarking on an extensive economic recovery programme for sustained growth and human development, in a peaceful and stable environment.

Sierra Leone Vision 2025 recognises that in spite of this appalling state of human development, Sierra Leone has tremendous potential for raising the quality of life of its entire peoples. The aspirations and the strategic analysis undertaken led to the formulation of a national vision for Sierra Leone. This vision statement will become the new guiding light for the nation. It will provide the sense of purpose and direction for all national actions.

Sierra Leone's Vision 2025, which was developed through consensus, aptly summarises the development principles, which Sierra Leoneans agreed must guide their development efforts for the foreseeable future. The strategic areas of focus chosen which must become the basis for plans and policies for Sierra Leone are to:

- Attain a competitive private sector-led economic development with effective indigenous participation;
- Create a high quality of life for all Sierra Leoneans;
- Build a well-educated and enlightened society;
- Create a tolerant, stable, secure and well-managed society based on democratic values;
- Ensure sustainable exploitation and effective utilisation of our natural resources while maintaining a healthy environment; and
- Become a science and technology driven nation.

They represent the core strategic issues that must provide the objectives for all plans, policies and programmes that aim to contribute to the development of Sierra Leone.

1.4. The Poverty Reduction Strategy Paper (PRSP)

Although noticeable achievements have been made in implementing the IPRSP and NRS over the immediate post-conflict years, poverty reduction still remains a major challenge for the Government and the people of Sierra Leone. New responsibilities have also emerged, with the need to pursue accountable, transparent and corruption-free policies for stability, as well as to ensure a carefully sequenced opening of investment and trade to deliver economic growth. There are also new opportunities, including capacity for making the investments in health, education and infrastructure that would allow the country to attain the Millennium Development Goals (MDGs) in the widest participatory manner. In addition to supporting the long-term aims of Vision 2025, the Government is aware of the need to prepare a more comprehensive poverty reduction strategy: a strategy that builds on the gains from the IPRSP and the NRS, whilst striving to achieve the MDGs and other socio-economic indicators.

The PRSP thus considers a number of short to medium-term challenges: it proposes actions that should not only impact immediately on the living conditions of the people but also lay a solid base from which to address the long-term causes of conflict and poverty. These programmes have been identified through extensive national consultations. The major challenges are promoting food security and job creation through (a) achieving high and sustained broad-based economic growth, particularly in rural areas where agricultural development and increased food production are central; (b) providing essential social and economic services and infrastructure to the poor; and (c) improving governance. Consolidation of peace and security is essential if the country is to attract the investment necessary to break the cycle of poverty. Continued broadening and deepening of reform on several fronts will ensure that growth translates into reduced poverty and improved human development.

In addition to these aims, the PRSP also considers a number of short-term challenges that need to be met immediately. These challenges include:

- the impact of the spread of HIV/AIDS and other diseases such as malaria, typhoid and wide-ranging communicable diseases;
- the need to ensure affordable shelter for those households that are still deprived of it;
- the process of re-integration;
- and the need of labour-intensive approaches to sector programmes, especially public works, mining and agriculture.

High unemployment in rural areas results in low wages; this situation offers a window of opportunity for broad-based labour-intensive works to supplement incomes of the poor, while supporting rural development. The need to arrest poverty is now at the core of all government policies and programmes; the strategy also includes the devolution of central government functions to local communities. These elements are directly linked to the results of the poverty diagnostics from both qualitative and quantitative surveys and assessments. Generally, the findings of these surveys show the very low level of human development, and the pressing need to move towards the MDGs.

1.4.1 Alignment Between PRSP and Millennium Development Goals

The Government's PRSP objectives, in particular the "Pillar Three" objectives (see below), are therefore set with reference to the Millennium Development Goals (MDGs). The MDGs aim at reducing poverty and its different symptoms by 2015, and for the international community to strive side-by-side with national governments to achieve them, within a partnership and cooperative framework. As is the case with most developing countries, Sierra Leone has adopted and firmly committed itself to attaining the eight MDGs. However, 2005 is a crucial, defining year for Sierra Leone. It marks the commencement of the full PRSP implementation. It also marks the end of the first five years out of the fifteen years of the historic task of meeting the eight MDGs. For Sierra Leone, the task of meeting the MDGs is more onerous, given that PRSP implementation will commence only ten years before the 2015 target date. By implication, and given the

country's post-conflict situation and the risks associated with the external economic environment, Sierra Leone is likely to take a far longer time to achieve the goals.

The Government however recognises that in the PRSP, the people of Sierra Leone are taking the first big, conscious step towards attainment of the MDGs, supported by the international community. The Government also recognises that external resources are only a supplement to domestic resources, and that it must endeavour to substantially increase the latter. But while the Government will be making desperate efforts to mobilise its own resources, it is now very clear that the magnitude of the resources required to work meaningfully towards the MDGs is such that the continued support of development partners is essential. The needs would also mean new responsibilities for the development partners – to transfer resources, facilitate private sector development (especially of value-added enterprises), and increase market access for Sierra Leonean products.

1.4.2 Partnership with Donor Community

In preparing its PRSP, the Government has adopted a comprehensive development framework in a way that will systematically link diagnosis and public actions on poverty outcomes. The framework's focus on poverty outcomes, and the link between policies and actions on the ground, underpin the PRSP. In implementing the strategy, as domestic resources alone cannot effectively cope with the myriad challenges defined in the document, the Government is committed to building strong partnerships both with civil society and with its development partners.

There were extensive consultations with all stakeholders during preparation of this PRSP. Given the participatory process on which the PRSP's legitimacy is based, the Government will encourage all development partners and other actors to use it as a frame of reference for design of individual country programmes, including sector development plans and investment programmes.

Government recognises the need to establish in-country coordination mechanisms that can provide more frequent opportunities for dialogue on policy and structural issues as well as for tracking overall progress and facilitating donor coordination. Consequently, the Government established the joint Development Partnership Committee (DEPAC) in 2003 within the framework of the Consultative Group meeting in Paris in November 2002. Co-Chaired by the Vice President of the Republic of Sierra Leone, the World Bank and UNDP, the Committee has the responsibility of monitoring the agreed Consultative Group benchmarks, which included completion of the full PRSP. DEPAC meets bi-monthly in Sierra Leone and has guided the preparation of the PRSP. It has also provided an excellent opportunity for the donor community, government and several other development stakeholders (including Civil Society partners) to exchange views on the country's development efforts and to respond to challenges while plotting the way forward. Overall, DEPAC has led to significant improvements in the quality and focus of post-conflict policies, including aid coordination and effectiveness.

1.4.3 Core Principles and Risks of the PRSP

In formulating its Paper, Government has fully adopted the key principles underlying the development and implementation of poverty reduction strategies, building on those that underpin the World Bank's Comprehensive Development Framework. In this context, the strategy is: (a) country-owned, community-owned, involving broad-based participation by key stakeholders; (b) results-oriented, focusing on monitorable outcomes that benefit the poor and vulnerable; (c) comprehensive in recognizing the multidimensional nature of poverty and vulnerability; (d) prioritised, so that implementation is feasible, in both fiscal and institutional terms; (e) partnership-oriented, involving coordinated participation of development partners (bilateral, multilateral, and non-governmental); (f) based on a long-term perspective for poverty reduction; and (g) aligned with the MDGs. Both the process and content of the PRSP are viewed as dynamic in nature, and the paper itself is a living document based on the above principles.

While these principles obtain, the PRSP can be undermined by several risks, unless mechanisms are evolved over time to mitigate them. They include the shortfall and unpredictability of long-term aid and investment; poor domestic revenue performance; regional insecurity; delays in providing basic social services and re-launching viable economic activities in rural communities; collapse of fiscal and monetary discipline and public financial management; weak political commitment to devolution; a failing anti-corruption agenda; and weak institutional and human resource capacity. There are also risks associated with adverse developments in the world economy, which could threaten global as well as national economic stability and growth. The most significant external risks come from high and rising international oil and commodity prices; continued protectionism by developed countries, depriving market access for Sierra Leone traded goods; and any deterioration in terms of trade. For rich and poor countries alike, stability in the world economy is a precondition for global prosperity and growth.

1.5 Structure of the PRSP

The rest of the Paper is structured as follows: Chapter Two describes the participatory and consultative processes pursued in the last two years in preparation of this PRSP. Chapter Three describes the current poverty situation in the country and provides data on poverty profiles and the causes and determinants of poverty. Chapter Four addresses economic developments and the medium term macroeconomic framework for poverty reduction. The chapter ends with an analysis of growth and poverty linkages that underpin the poverty reduction strategies. Chapter Five presents the poverty reduction strategies, starting with a presentation of the goals and pillars of the PRSP and the links with the MDGs. This is followed by the policy objectives, strategies and priority actions needed to address poverty in the next three years in the various sectors. Chapter Six describes the cost and financing of the PRSP, while Chapter Seven outlines implementation arrangements, capacity building requirements, and requirements for mainstreaming the PRSP into the activities of Government ministries, departments and agencies (MDAs) and stakeholders, including the development partners. Chapter Eight outlines the framework for monitoring and evaluation.

CHAPTER TWO

THE PRSP PREPARATORY PROCESSES

2.0 Introduction

The PRSP has been prepared through extensive national consultations. Since 1996, the Government has been developing a long-term strategic vision by involving a wide-range of stakeholders in a participatory process. This participatory approach has allowed for collaborative decision-making, broad-based consensus and popular ownership. It has also afforded Sierra Leoneans opportunity to contribute to formulation of a long-term development strategy for poverty reduction. Preparation of the PRSP has built on this approach.

The overall objective of the participatory process was to generate qualitative information on poverty for policy formulation, programme design, monitoring and evaluation. The specific objectives were to: (a) share information with the population on the process and their role in formulation of public policy; (b) generate information on the dimensions, coping mechanisms, and trends in poverty; (c) assess the impact of government policies on the poor; and (d) build the capacity of local communities to analyse problems, identify priorities, propose solutions and establish linkages with policy makers.

These consultations have already led to: (a) increased public awareness of the PRSP concept and process; (b) improved perception of poverty by key stakeholders, including the poor, women, children and youths; and a reflection of these perceptions in defining public policy priorities; (c) better understanding of the impact of policies on poor people and their coping mechanisms, for the purposes of policy design and implementation; (d) the mainstreaming of gender and child's right issues in poverty assessments; and (e) well-developed local capacities for rigorous problem analysis, priority setting and solution identification.

2.1 The PRSP Preparation Governance Framework

Initially, the governance framework to prepare the PRSP comprised the Poverty Alleviation Strategy Coordinating Office (PASCO), an Inter-Ministerial Committee (IMC), a Poverty Reduction Steering Committee (PRSC), Poverty Reduction Working Groups (PRWGs), and Thematic Groups.

- PASCO coordinated the preparation of the PRSP under the direct supervision of the Ministry of Development and Economic Planning (MODEP) until February 2004.
- The Minister of Development and Economic Planning initially chaired the IMC, as approved by Cabinet. The IMC comprised all cabinet ministers and provided overall policy guidance for the process.
- The PRSC was established to manage the preparation of the PRSP. Its specific responsibilities included the structuring of all consultative processes, providing

regular reports on the process to Cabinet and the IMC, and overseeing the work of all consultants. The PRSC was chaired by the Development Secretary and comprised professionals and Permanent Secretaries of key ministries and government agencies as well as representatives of development partners.

- The Poverty Reduction Sector Working Groups comprised all technical heads of key ministries as well as representatives of development partners, NGOs and Civil Society Organizations (CSOs) who are key service providers in the thematic group. The PRSWG served as sector/thematic focal points and provided support to PASCO and consultants in drafting the relevant sections from each thematic group.
- The thematic groups were Governance and National Security; Macroeconomic Policy and Private Sector Development; Transport and Infrastructure; and the Social Sectors.

Given the importance government attached to the process, the structure was modified in February 2004, since the PRSP had not been completed by December 2003 as proposed in the IPRSP. The delay was largely due to administrative and technical constraints with the original preparation framework. In particular in 2004 a Technical Working Group (TWG) was appointed to supervise and fast-track completion of the PRSP. The TWG comprised the Director of the Development Assistance Coordinating Office, the Statistician General of Sierra Leone, the Director of the Economic Policy and Research Unit of the Ministry of Finance, and the National Coordinator of PASCO. PASCO was moved to the Office of the Vice President, supervised by the TWG. The Ministry of Finance also became more directly involved in the preparatory process, while the Vice President chaired the IMC. (See Chart 1)

2.2 The Participatory Processes

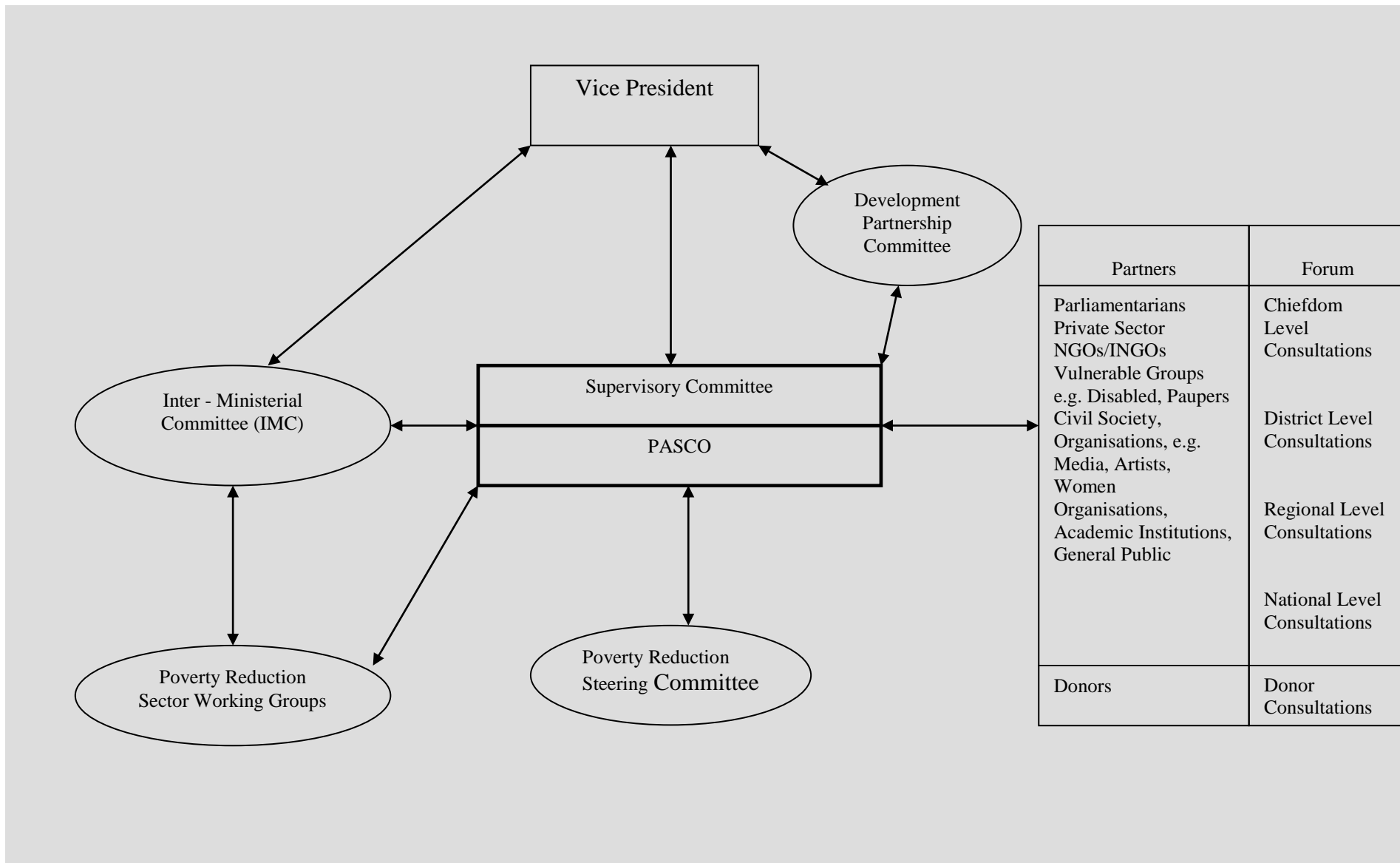
The participatory processes for the preparation of the PRSP, as mapped out in the IPRSP, were closely implemented in 2003 and 2004. These were characterised by open and frank dialogue between government and the people represented by key stakeholders – cabinet ministers, parliamentarians, NGOs, members of civil society, the private sector, cooperative associations, local authorities, religious leaders, development partners and beneficiary groups.

This approach allowed a frank exchange of views. It also enabled the general citizenry to have a clear and better understanding of the PRSP process and its likely associated benefits. Hence, the participatory process provided a window for networking and collaboration, as well as building broad internal consensus around priorities to ensure national ownership.

The participatory methodologies included the strategic planning and action process (SPP); focus group discussions (FGDs); chiefdom sensitisation meetings; and participatory poverty assessment (PPAs). Civic engagement on the PRSP was led by NGOs/ CSOs. Sector working group sessions, national and district consultations on the proposed poverty strategy, and validation workshops for the final draft PRSP, were also

organised. Radio and television discussions were an important part of the communication and sensitisation strategy. The key elements of these methodologies are summarised below.

Chart 1: Governance Framework for Preparation of the PPRSP



2.2.1 Strategic Planning and Action Process

(a) Evolution of the Methodology

In 1996, following the first democratic elections in thirty years, Government, with assistance from the World Bank, introduced the Strategic Planning and Action Process (SPP). The aim of the SPP was to identify development priorities and strategies through a highly participatory citizen's consultative exercise to define a National Strategic Vision. The SPP approach sought to blend central government planning with bottom-up initiatives, and elicit new partnerships among the Government, civil society, private sector and donor community. The process constituted a new planning tool that transformed the standard centralised planning process by policy makers of the past into a participatory, results-driven, partnership model of governance.

Box 2.

Focus Group Discussions (FGDs): Methodology and Procedures

The FGDs were conducted in a relaxed and informal atmosphere to encourage active participation. The selection criteria for participation in each district required a minimum of five representatives per chiefdom, comprising two adults (male and female), two youth groups' representatives (male and female) and a representative from the district recovery committee.

The group composition for the FGDs was aimed at capturing a hybrid opinion and perceptions of the various socio-economic groups on poverty, risk, shocks, vulnerability, and the three pillars of ECOWAS/NEPAD. The specific questions addressed during the FGDs were the following: i.) Where are we now? ii.) Where do we want to be? iii.) How do we get there? iv) How do we know we are getting there? v) What are the risks and opportunities? All these questions captured the gender dimensions as well.

FGD Concept and Instruments

The instruments and exercises that were developed and carried out during the FGDs were:

- **Name Game:** Each focus group discussion commenced with the "name game" which is an "ice breaking" technique to enhance group interaction.
- **Budget Game:** In discussing the question 'how do we get there?' participants were encouraged to identify and rank broad and specific priorities and strategies for poverty reduction. During the "Budget Game" each participant was allocated a limited number of votes (3) to be cast against one or more of available options displayed on wall-mounted posters.
- **Smiley Game:** The "Smiley Game" facilitates local communities' self-assessment and reflection of improvements or deterioration in their welfare or sector based on agreed benchmarks for a specific period. Each participant's rating was recorded in an active voting process on calibrated flip charts. The aggregated ratings are then displayed on flip charts as "smiley profiles" and used as a basis for group reflection on past and current conditions in their communities.
- **Risks, Shocks and Vulnerability Assessments Templates:** During the discussions, participants explored the causes and characteristics of various shocks (idiosyncratic and covariate) and the frequency and severity of these shocks. The participants also identified the mechanisms available to minimise the short and long term consequences of negative shocks as well as the population groups that are especially vulnerable to negative shocks.
- **Gender Analysis:** The focus of the discussions was on capturing the gender dimension of poverty by identifying the different gender activities, roles and responsibilities with special focus on opportunities, capabilities, empowerment and security.

The National Strategic Vision that emerged out of the 1996 consultations was centred on creating a united, peaceful, educated and healthy population enjoying good governance and a broad based socio-economic recovery and growth in the medium term. Consistent with this vision, five broad development priorities were identified and ranked highest by stakeholders: (a) security and war-related issues, especially the Disarmament, Demobilisation and

Reintegration Programme, and Resettlement, Rehabilitation and Reintegration; (b) food security; (c) basic education; (c) primary health care; and (e) good governance, justice and decentralisation. The results of these consultations, together with follow-up consultations in 1998 and 2000, informed the priorities defined in the IPRSP.

The SPP used Focus Group Discussions (FGDs), Box 2. To ensure a more effective participatory process for the PRSP formulation, the SPP and the FGDs were sharpened, made gender-sensitive, specialised and custom-designed for particular contexts and decision-making bodies (such as parliament and cabinet). Given the extension of government authority throughout the country, the coverage of the SPP/FGDs was also expanded to encompass chiefdom and village settings. Steps were taken to ensure that FGDs were organised with homogenous groups such as Internally Displaced Persons (IDPs), refugees, ex-combatants, women, children and youths. Gender issues were similarly addressed during the consultations.

(b) Objectives and Coverage

The principal objectives of the FGDs were: (a) to gauge the perceptions and opinions of relevant stakeholders, including grassroots representatives of poverty and its main determinants; (b) to identify a medium term development vision for poverty reduction; (c) to identify and rank development strategies and priorities and agree on benchmarks for implementation, monitoring and evaluation; (d) to identify costs, risks and basic characteristics of shocks and vulnerabilities, determining coping mechanisms to manage and minimise these; (e) to explore the gender dimensions of poverty; and (f) to define national and specific priorities for poverty reduction.

FGDs were conducted with cabinet ministers, parliamentarians, government officials and specialised groups such as mass media, women, children, youths, local authorities, religious leaders and civil society organisations during September-October 2003. They were conducted at national, regional and district levels. A second round of FGDs that incorporated Risk and Vulnerability Assessments (RVAs) and Gender Analyses (GAs) was conducted during March-April 2004 in all headquarter towns of the twelve districts in the provinces, and the two districts in the Western Area. Participation in each district comprised representatives from all of the 149 chiefdoms in the provinces, and the 5 wards in the Western area. Participants were drawn from civil society, government, private sector, NGOs, students, the marginalized, the aged and disabled, women, parliamentarians, faith groups, and local administration. (See Annex 1.)

A total of about 1,260 representatives nation-wide participated in the FGDs. At district level, 90 participants from all chiefdoms in the districts participated. District participants were disaggregated by sex and other socio-economic variables such as age, educational level, and disability. At least six to seven participants per chiefdom in a district participated in the harmonised methodology of FGDs, which included RVAs and GA.

2.2.2 Participatory Poverty Assessments: Voice of the Poor

By contributing to the poverty strategy formulation process, PPAs: (a) ensure that the voices, perspectives and priority needs of poor people are reflected in government policy; (b) provide information on people's perceptions of the definitions, causes, categories, impact and characteristics of poverty; (c) engage a wide range of stakeholders in the research process so as to stimulate local activities for poverty alleviation; (d) reveal the general problems confronting communities, including seasonality and coping strategies; and (e) provide recommendations on how government service delivery can be improved in poor communities.

PPAs were carried out in Sierra Leone to collect information on poverty by asking the poor themselves about their experiences of poverty (Box 3). They provided detailed information about the perception and attitude of poor people in the country in respect of the causes, consequences and characteristics of poverty. Information was also obtained on dimensions of poverty, coping strategies and priority public interventions to reduce poverty.

Two PPAs were conducted in 42 communities in all the districts in March 2003. Additional assessments were done in 14 communities in March 2004. The exercises covered four communities per district, including the Western Urban and Rural areas. The selection of communities was based on a number of socio-economic, political, cultural and environmental criteria that are reflective of each district and region. These criteria included geographical location, levels of deprivation, economic activity, ethnicity, language and remoteness. Community participation in the selected areas was high, involving almost every member and averaging about 130 participants per location. A total of 8,591 community people participated in the PPAs nationwide. (See Annex 1.)

Box 3
PPA Methodology

A family of PPA techniques was used to allow poor people to express and analyse their situation, plan what action to take, monitor and evaluate results. Applying different techniques also provided greater depth to the data collected. Group discussions were held in an informal and mutually respectful atmosphere. Given that people and diverse groups experience poverty differently, participants were divided into different groups by sex, age and status to better capture their different perspectives of poverty.

A core set of facilitators from different government departments/ministries was trained to act as 'trainers of trainers', and to supervise the research. Community people (district trainees), who were mostly school teachers, were further trained by the core facilitators to carry out the exercises in the various communities, to break the language barrier and to enhance the participation of ordinary people through equality and trust.

2.2.3 Civic Engagement

Two processes characterised the participatory aspects in formulating the PRSP. First, the main government process was coordinated by PASCO. Secondly, a "Civic Engagement Process" started in early 2004; this process was coordinated by an International NGO, Action Aid Sierra Leone with financial support provided by UK-DFID. The Civic Engagement exercise complemented other ongoing initiatives in PRSP formulation.

However, prior to the Action Aid-led civic engagement process, in early 2003, with financial support provided by UNDP, a local NGO, Network Movement for Justice and Development, organised sensitisation workshops on the PRSP in all 14 administrative districts. The sensitisation covered over 1,500 participants from a broad spectrum of civil society and the citizenry, including youths, women, disabled, government officials, traditional and religious leaders, ex-combatants, war victims, students, etc. A key outcome from this exercise was the emergence of voluntary regional and district civil society groups known as PRSP Task Teams. These Task teams were formally constituted and remained operational and worked closely with PASCO and partner organisations/institutions in the PRSP civic engagement process.

The Civic Engagement Process (Box 4) provided a comprehensive national framework that synchronised the different programmes for civic engagement on the PRSP process. Its purpose was twofold: to promote learning, sharing and debate on the PRSP; and to provoke response and feedback into the PRSP process. The key objectives were: (a) to create awareness of the PRSP process and contribute to understanding of the underlying principles; (b) to complement ongoing initiatives through the creation of a communication environment; (c) to provide information on poverty related issues and appropriate strategies for addressing them from the perspective of the poor and CSOs; and (d) to monitor the process of formulation and implementation, and to recommend corrective actions where needed.

As a first step, partners embarked on intensive collaboration and networking with major stakeholders (see Chart 2). A team of four CSOs (known as Regional Implementing Partners) was contracted and assigned the responsibility of coordinating the civic engagement process in the four regions. The partners were: Network Movement for Justice and Development, responsible for the Southern Region; Council of Churches of Sierra Leone, responsible for the Northern Region; Movement for the Restoration of Democracy-Sierra Leone, responsible for the Eastern Region; and Urban Development Area/FAWE, responsible for the Western Area. The lead partners identified other CSOs and CBOs that were either resident or active within the respective regions to further advance the process.

Planning workshops at both the national and regional levels were conducted in early 2004 to sensitise all stakeholders on the PRSP process and its relevance to the development efforts. Workshops were also organised for the Regional Implementing Partners, message development experts, the media and other CSOs and these culminated into the development of an effective communication strategy that employed diverse channels of communication relevant to the needs of each audience. The channels included the electronic and print media, workshops and seminars, and special supplements in the national dailies. A comprehensive framework and national action plan was also developed to ensure accuracy and consistency in programme implementation.

The civic engagement project targeted all levels of society irrespective of sex, generational and ethnic differences throughout the country. In all, 699 men, 599 women and 268 children were consulted. About 757 men and 354 women participated in Participatory Learning Forums (PLFs).

Box 4
Civic Engagement Process Methodology

Various methodologies were used to advance the civic engagement process, including the following:

a) Participatory Learning and Action Forum

This Forum provided an opportunity for partner institutions and stakeholders to use cooperative efforts to raise awareness, to generate understanding on the PRSP process, and to provoke discussions on poverty issues. The feedback from the groups was shared and crosschecked at general forums, to validate the findings for accuracy, and to ensure that views of all stakeholders were included in the analysis.

b) Rural Dialogue Forums

The Rural Dialogue forums were a key citizen-engagement initiative that involved thousands of people living in rural and remote communities, community leaders, stakeholder organisations, and representatives from various levels of society. The dialogue focused on identifying specific community actions for poverty reduction and provided feedback to PASCO, government and development partners on required actions.

c) Mobile Multimedia Vans

Mobile vans with multi-media facilities were used to involve youths, women, community members and community leaders in the dissemination of educational materials on the PRSP. Relevant PRSP materials were recorded on video and tape cassettes on location. They were produced as documentaries for dissemination to both rural and urban communities. Video clips and recorded radio jingles were viewed and listened to at village and district levels, and were televised and/or broadcast on radio.

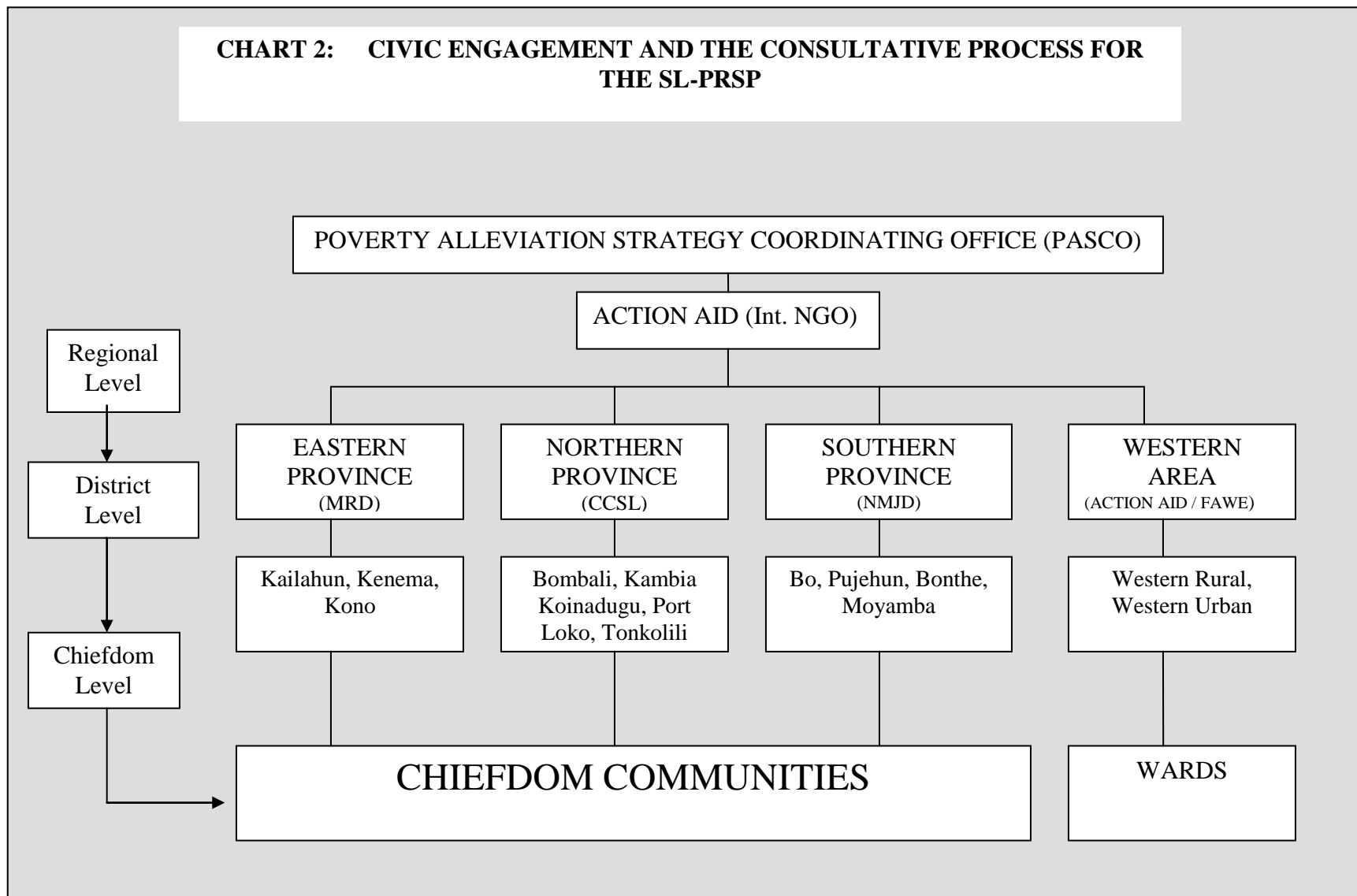
d) Broadcast Media, Performing Arts, and Popular Theatre:

Radio, television and the print media were used to disseminate information and facilitate discussions on the PRSP. Performing arts and popular culture offered excellent opportunities for delivering information to large sections of the population. These appealed to broad audiences and served a combined entertainment and educational function while reaching audiences with varying levels of education.

e) Public Education

Public education programmes were organised in community schools, churches, mosques, market places, public forums, consultative workshops and symposiums in both urban and rural communities, and took advantage of every forum to raise awareness on the PRSP. A workshop was conducted in early January 2004 for 48 Sierra Leonean artistes who composed the theme song for the process titled "*Leh wi fet po wit PRSP*" (Lets fight poverty with the PRSP). Furthermore, a one-day workshop was conducted for Journalists, Editors and Media Houses in January 2004.

CHART 2: CIVIC ENGAGEMENT AND THE CONSULTATIVE PROCESS FOR THE SL-PRSP



2.3 Sector and Thematic Reviews

Five sector and thematic working groups were established for the formulation of the PRSP: (a) Macro-economic Policy and Private Sector Development; (b) Social Sector Development; (c) Reconstruction, Rehabilitation and Reintegration; (d) Agriculture, Natural Resources and the Environment; and (e) Governance and Security. Thematic sub-groups also covered cross cutting issues: Gender, Youths, HIV/AIDS, Children, the Disabled, and the Environment. The working groups collaborated with both local and international consultants; they reviewed existing policies and programme and identified gaps, defined new policies, and developed monitorable targets and indicators. They used workshops and consultations with poor rural communities, with staff in sector ministries and with relevant players in each sector.

2.3.1 Gender Mainstreaming

Consultations on mainstreaming gender into the PRSP were held with the sector working groups and the Gender Advisory Committee that was established at the Ministry of Social Welfare, Gender and Children's Affairs (MSWGCA). A three-day dialogue with stakeholders was also held in April 2004 to develop a Poverty Reduction Gender Action Plan. The participants included gender activists, professionals, social workers, NGOs, private sector and civil society representatives. The Women's Forum also held a two-day workshop with women's associations in June 2004 on the PRSP process.

2.3.2 Child Mainstreaming

A 3-day national level workshop was organised on Child mainstreaming for all relevant stakeholders in March 2004. The objective was to determine priority areas of interventions in addressing child deprivation and poverty, and to develop a framework for long-term national policy on children to inform the PRSP.

2.4 National and District Consultations and Validation Workshops

A national consultative conference on the SL-PRSP pillars was held in early May 2004; district level consultations on the pillars were conducted in early June 2004. Four validation workshops were also held at regional level in August 2004 with representation from all the chiefdoms and districts across a broad spectrum of society to validate the final draft PRSP framework. Annex 1 shows the key groups and their participation in the formulation of the PRSP in various consultative processes.

CHAPTER THREE

THE SIERRA LEONE POVERTY PROFILE

3.0 Introduction

The population of Sierra Leone is estimated at about 4.8 million people (2002), or 935,820 households. For the period 1975-2002, the population growth rate is estimated at 1.8 percent per annum. About 66 percent of the population live in rural areas. The country remains poor despite its rich resource base. The 1995 Poverty Profile, based on the household expenditure survey of 1989/90 used in the IPRSP, estimated that about 75 percent of the population lived in poverty and that more than two-thirds of the poor could be described as living in conditions of extreme poverty.¹

Several years of civil conflict intensified the decline in social indicators, putting Sierra Leone at the bottom of the UNDP's Human Development Index. The UNDP 2004 Human Development Report estimates that during 1990-2002, about 57 percent of the population lived below US\$1 a day and about 75 percent lived below US\$2 a day.

This chapter analyses the country's current poverty profile. It is intended to shed light on important questions that are relevant to the formulation of strategies for poverty reduction country-wide, under the PRSP. Key questions relevant to this analysis include: "What is poverty? Who are the poor? What are the dimensions of poverty? Where are the poor?" .

3.1 Sources of Data

Two main data types and sources were utilised for this analysis, namely:

- Quantitative data from the 2003/2004 Sierra Leone Integrated Household Survey (SLIHS); and
- Qualitative data from the Participatory Poverty Assessments (PPAs), Focus Group Discussions (FGDs) and Participatory Learning Forums as described in Chapter 2, supplemented by sector reviews.

The 2003/2004 Household Survey covered 3,720 households, of which 2,400 were drawn from rural areas. The overall sampling frame was stratified into urban and rural, with sampling carried out separately in each stratum. The "household expenditure aggregate" was defined as the categorical composition of expenditures of a household, while "welfare" was defined as those expenditures that could be said to improve the general well-being of a household.

Qualitative information on poverty was also obtained from the poor themselves through the Participatory Poverty Assessments (PPAs), the Strategic Planning Process/Focus Group Discussions (SPP/FGDs) and the civic engagement process pioneered by NGOs and civil society organisations. PPAs were carried out to ensure that the voices of the poor were

¹ The 1995 Poverty Profile assumed minimum expenditure levels of Le10, 000 per month per capita for extreme poverty and Le15, 000 per month per capita for general poverty (Le930=US\$ 1 in early 1997).

adequately reflected in policy design while gauging their understanding and experiences of poverty. The PPA tools used in the analysis also included social maps, poverty analyses, wealth or well-being ranking, preference scoring and seasonality analysis. Focus Group Discussions were conducted to identify the main types of risks and the characteristics of various shocks as well as the mechanisms available to minimise and/or manage the short or long term consequences of adverse shocks.

Sector reviews were also undertaken to provide secondary data and situation analysis and challenges in each sector.

3.2 The Definitions of Poverty

Poverty has been defined on the basis of the qualitative and quantitative tools used. Quantitatively, poverty has been defined with respect to the poverty line. The data obtained from the Integrated Household Survey was used to compute two poverty lines: Food/Extreme and Full Poverty lines. The Food/Extreme Poverty Line was defined as the level of expenditures required to attain the minimum daily nutritional requirement of 2,700 calories per equivalent adult. This translated into an expenditure of Le1,033 per day or \$1.00 equivalent, or Le377,045 per year per equivalent adult, at May 2004 national prices. A person whose expenditure on food fell below this threshold was considered to be food poor. If a household was unable to provide the level of theoretical expenditure to attain the minimum nutritional requirement, it implied that even if the household's total expenditure were dedicated to food, the household would be unable to minimally feed itself. The household was then said to be in Extreme Poverty.

However, since it is not realistic that a household will dedicate every expense solely to food, basic needs such as health and education need to be added to this Food/Extreme poverty line. The average non-food expenditure per adult equivalent around the poverty line was estimated at Le393,633 per year for basics such as health and education. The National Poverty Line corresponds to the full poverty line of Le770,678 per year or Le2,111 per day per capita as shown in Table 3.1. An individual whose expenditure on food and basic needs falls below this level is considered to be poor.

Table 3.1: Poverty Lines, 2003-04

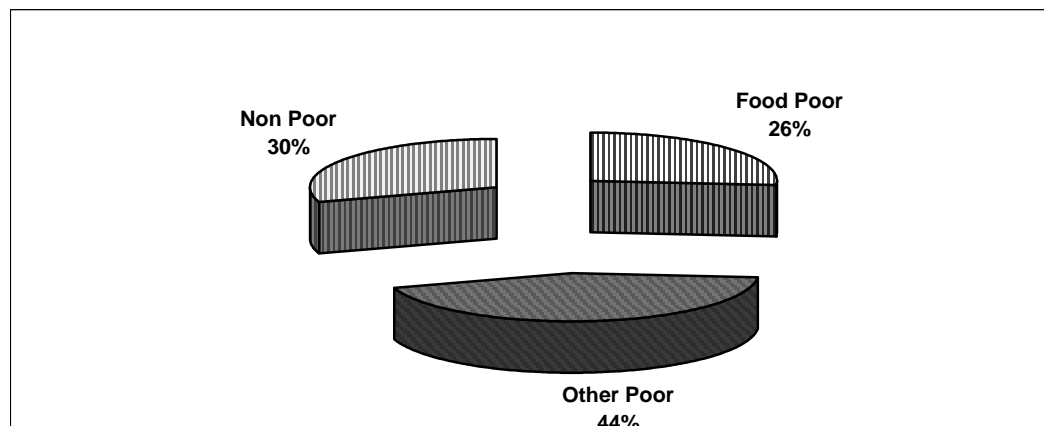
| | Annual (Le) | Monthly (Le) | Daily (Le) | Annual (US\$) | Monthly (US\$) | Daily (US\$) |
|--|----------------|-----------------|---------------|------------------|-------------------|-----------------|
| Food/Core Poverty Line | 377,045 | 31,420 | 1,033 | 365 | 30 | 1.00 |
| Full Poverty (Food and Basic Needs) Line | 770,678 | 64,223 | 2,111 | 746 | 62 | 2.00 |

Source: SLIHS, 2003/04

According to this definition, Figure 3.1 shows that about 26 percent of the population in Sierra Leone is food poor. This translates to about 1,248,000 persons who cannot even afford as basic a necessity as food. When other basic necessities are added, the proportion increases to about 70 percent. The basic needs often referred to are: food, safe water and sanitation, shelter, good health, basic education, and easy access for a household to economic and social infrastructure

such as schools, health facilities, markets and public transportation, with access defined in terms both of affordability and distance.

Figure 3.1: National Poverty Headcount



Source: SLIHS 2003/2004

Qualitatively, the people have defined poverty from a basic needs perspective as “the lack of basic needs and services such as food, money, shelter, clothing, health facilities, schools and safe drinking water”. Although both men and women also mention lack of money and shelter, the common perception of poverty from all socio-economic groups is the lack of food. Hunger is a primary concern for children in particular. The views of a boy and a woman about poverty are described in Box 5. Other people’s perceptions of poverty in Sierra Leone are summarised in Box 6. Table 3.2 summarises the characteristics of the poor in Sierra Leone as revealed by the PPAs.

Box 5
Feelings about Poverty

‘When you are hungry you are tired. It is difficult to concentrate in school. You fall asleep. Your stomach hurts like you have worms. You fight. It is so hard; you cannot do anything except think of food.’ (A boy in Mathinka, a village in Bombali District, Northern Province).

‘We feel the pain of poverty the way the chicken screams, manifesting the pains of laying eggs’. (A woman in Kpangba Village, Pujehun District, Southern Province)

Box 6
What is Poverty? The Peoples' Definition

Poverty is hunger and the uncertainty of where the next meal is going to come from.
 Poverty is lack of shelter.
 Poverty is living in a very large household with not enough to go around.
 Poverty is being sick and not being able to see a doctor.
 Poverty is not being able to go to school and not knowing how to read.
 Poverty is not having a job, fear for the future and living one day at a time.
 Poverty is working everyday and not being able to feed your family.
 Poverty is losing a child to illness brought about by unclean water.
 Poverty is powerlessness, lack of representation and freedom.

Table 3.2: Characteristics of the Poor in Sierra Leone

| Category | Characteristics |
|--------------------------------------|--|
| <i>The poorest (Popolipo)</i> | Those who cannot meet immediate needs (food, shelter, and clothing); cannot invest for the future; and have exhausted the charity and goodwill of others; they have dirty/torn clothes and are completely isolated; they cannot meet medical expenses when they fall ill; they are physically challenged. Those without husbands or wives and children to care for them also fall into this category. |
| <i>The poorer (po-pas-po)</i> | They have some ability to meet some basic needs but not always. They are unable to invest for the future through education and savings. Their credit is limited, and this gets eroded with their inability to repay. They have no houses and thus live with other people. They cannot afford decent clothes and strive hard to survive on a daily basis. Often, they do not have enough to support a family. They highly depend on others for both work and general support. |
| <i>The poor (po)</i> | They can meet some of their daily needs including a meal per day though the meal may not be nutritious. They can barely afford to send their children to school and have no savings. They can hardly afford the cost of medical care. |
| <i>The better off</i> | They tend to see well-being in terms of their ability to provide the essentials of life for themselves and their families. They can provide good food, shelter, education, clothes and medical facilities for their families; and are gainfully employed and physically fit. |

3.3 Where do you find the poor?

In order to understand and interpret the poverty measures, poverty indices are presented not only across provinces, by gender and age of the head of households, but also for the three groups of poor, food poor and other poor. The poverty indices include:

- P_0 , the poverty head count, defined as the number of people below the poverty line;
- P_1 , the poverty gap, defined as the distance below the poverty line or the extra income needed to reach the poverty line; and
- P_2 , poverty severity among the poor.

3.3.1 National Poverty

Table 3.3 compares poverty in Freetown, rural areas, other urban areas and national level poverty. At the national level, about 26 percent (1.5 million) of Sierra Leoneans are food poor: they cannot afford adequate daily food intake. When non-food basic needs are added, the total poor percentage jumps to 70 percent. That is, it is estimated that 70 percent of Sierra Leoneans (3,360,000 persons) live in poverty.

The table also shows that the rural areas contribute about 73 percent of all poverty in Sierra Leone, while other urban areas contribute 25 percent, leaving Freetown with 2 percent. The national average poverty gap is 29 percent, and the rural gap is 34 percent, while the other urban gap is 26 percent. At the national level, the poverty gap ($P_1=29$ percent) means that the average poor person's consumption is 29 percent from the poverty line. The poverty line was estimated at Le770,648. This means that the average poor person is Le223,488 short of the poverty line.

Table 3.3: Incidence, Depth and Severity of Poverty by Area

| Areas | Share of Sample (percent) | Food Poor (percent) | Total Poor P_0 (percent) | Poverty Gap Index P_1 (percent) | Poverty Severity Index P_2 (percent) | Proportion of Sierra Leone's Poor (percent) | Income Gap Ratio (P_1/P_0) |
|-------------------|---------------------------|---------------------|----------------------------|-----------------------------------|--|---|--------------------------------|
| Freetown | 10.4 | 2.0 | 15.0 | 4.0 | 4.0 | 2.2 | 27.0 |
| Rural Areas | 64.4 | 33.0 | 79.0 | 34.0 | 19.0 | 72.8 | 43.0 |
| Other Urban Areas | 25.1 | 20.0 | 70.0 | 26.0 | 14.0 | 25.1 | 37.0 |
| National | 100.0 | 26.0 | 70.0 | 29.0 | 16.0 | 100.0 | 41.0 |

Source: SLIHS, 2003/04

3.3.2 District Level Poverty

Table 3.4 gives the incidence, depth and severity of poverty by district. It shows that the poorest districts in order of the incidence of poverty are Kailahun, Bombali, Kenema, Bonthe and Tonkolili. More than 8 out of 10 people in these districts live in poverty. It is estimated that 4 out of 10 people in Kailahun and 6 out of 10 people in Bombali district live in extreme poverty. The poor in Bombali district in particular cannot meet half of their basic needs while those in Kailahun, Kenema, Bonthe and Tonkolili districts can meet only about two-thirds of their basic needs. Poverty is also relatively more severe in Bombali and Kailahun districts with severity indices of 30.4 and 21.5 percent respectively.

Table 3.4: Incidence, Depth and Severity of Poverty by District

| District | Share of Sample (percent) | Food Poor (percent) | Total Poor P ₀ (percent) | Poverty Gap Index P ₁ (percent) | Poverty Severity Index P ₂ (percent) | Proportion of Sierra Leone's Poor (percent) | Income Gap Ratio (P ₁ /P ₀) |
|-----------------|---------------------------|---------------------|-------------------------------------|--|---|---|--|
| Bo | 8.8 | 25.0 | 64.0 | 27.0 | 16.0 | 8.1 | 42.0 |
| Bonthe | 5.6 | 35.0 | 85.0 | 37.0 | 20.0 | 6.8 | 44.0 |
| Moyamba | 7.8 | 16.0 | 68.0 | 24.0 | 13.0 | 7.6 | 35.0 |
| Pujehun | 4.2 | 14.0 | 59.0 | 18.0 | 9.0 | 3.6 | 31.0 |
| Kailahun | 6.4 | 45.0 | 92.0 | 42.0 | 23.0 | 8.5 | 46.0 |
| Kenema | 8.9 | 38.0 | 88.0 | 38.0 | 21.0 | 11.1 | 43.0 |
| Kono | 9.6 | 22.0 | 66.0 | 25.0 | 15.0 | 9.1 | 38.0 |
| Bombali | 7.6 | 63.0 | 89.0 | 50.0 | 32.0 | 9.7 | 56.0 |
| Kambia | 5.8 | 9.0 | 69.0 | 21.0 | 9.0 | 5.7 | 30.0 |
| Koinadugu | 7.3 | 29.0 | 77.0 | 33.0 | 19.0 | 8.0 | 43.0 |
| Port Loko | 9.8 | 20.0 | 82.0 | 31.0 | 15.0 | 11.5 | 38.0 |
| Tonkolili | 5.8 | 32.0 | 84.0 | 35.0 | 20.0 | 7.0 | 42.0 |
| Western Urban | 10.8 | 2.0 | 15.0 | 4.0 | 4.0 | 2.2 | 27.0 |
| Western Rural | 1.9 | 15.0 | 45.0 | 16.0 | 9.0 | 1.2 | 36.0 |
| National | 100.0 | 26.0 | 70.0 | 29.0 | 16.0 | 100.0 | 41.0 |

Source: SLIHS, 2003/04

The high incidence of poverty in Kailahun District could in part be explained by the civil war, and its impact on cocoa and coffee production as the main income earning activities². Most of the tree crop plantations were abandoned for over ten years as a result of displacement of the population. In peace time, the crops are harvested once a year and the income from the sales is used to acquire other goods and services throughout the year. There is therefore need to diversify into other economic activities in order to broaden the sources of income. The devastation of the basic economic and social infrastructure was worsened by its remoteness and isolation. In the case of Kenema, the majority of the working population is engaged mainly in artisan mining, which is not a reliable source of income. The people of Bombali District rely mostly on subsistence agriculture. There is no other economic activity or source of income and employment. Port Loko and Kenema districts, which accounted for 9.8 and 8.9 of the sample population, recorded the highest contribution to poverty of 11.5 percent and 11.1 percent respectively.

3.3.3 Urban Poverty

Table 3.5 shows the incidence of poverty in urban and rural areas in each district. The highest incidence of urban poverty is in the Bonthe urban areas with about 89 percent of the population in poverty, followed by urban Tonkolili with 88 percent and urban Kailahun with 86 percent. Figures for depth and severity of poverty confirm that Tonkolili urban, with 49.3 percent depth and 26.6 percent severity of poverty, had the highest rates of urban poverty in the country.

The ranking of the top five urban areas from the poorest to the least poor shows the following result: Tonkolili, Bonthe, Kailahun, Koinadugu, and Bombali. This rating should influence urban poverty reduction strategies. At the other end of the spectrum, the lowest priority

² Kailahun District was the main rebel base up to the end of the conflict in 2002.

candidates for urban targeting should be Freetown and Kono urban according to the survey results. The results from the qualitative assessments, however, indicate otherwise.

Table 3.5: Incidence of Poverty by District and Rural/Urban Split:

The proportion in each district who are (a) the Poorest – the “Food Poor”; and (b) Total Poor – the “Full Poor”.

| District | Urban | | Rural | |
|------------------------------|---------------|----------------|---------------|----------------|
| | (a) Food Poor | (b) Total Poor | (a) Food Poor | (b) Total Poor |
| Bo | 27.3 | 59.9 | 24.3 | 67.8 |
| Bonthe | 39.9 | 88.7 | 33.1 | 83.5 |
| Moyamba | 11.1 | 59.0 | 17.4 | 69.1 |
| Pujehun | 7.7 | 59.5 | 16.3 | 59.6 |
| Kailahun | 25.7 | 86.2 | 54.9 | 94.6 |
| Kenema | 19.5 | 77.5 | 52.4 | 95.0 |
| Kono | 9.2 | 56.3 | 35.2 | 79.6 |
| Bombali | 25.1 | 83.4 | 69.6 | 90.0 |
| Kambia | - | 75.6 | 11.6 | 67.7 |
| Koinadugu | 28.6 | 81.1 | 29.2 | 76.3 |
| Port Loko | 12.7 | 71.9 | 22.6 | 85.0 |
| Tonkolili | 36.4 | 87.7 | 31.0 | 84.2 |
| Western Area (inc. Freetown) | 3.2 | 17.1 | 26.3 | 70.1 |
| <i>Freetown</i> | N/A | 15.2 | - | - |
| <i>Other Western</i> | N/A | 52.8 | 42.5 | |
| Total | 14.7 | 54.3 | 32.8 | 78.9 |

Source: SLIHS, 2003/04

Results from the participatory poverty assessments in the five poorest districts revealed that the most frequently perceived causes of poverty by the poor are laziness (where laziness is defined as a negative attitude to work), poor health, the civil conflict, disunity, victim of theft, and illiteracy. Conflict-related poverty is the most widespread perceived cause of poverty throughout the country. Unrest and chaos resulting from social divisions are far more important factors characterising poverty than what may be expected from the non-provision of services. A woman in the Bombali District aptly described the impact of the civil conflict in Box 7 below.

Differences in the socio-economic groups' perceptions of the causes of poverty are also interesting. For example, men perceive the civil conflict, disunity, lack of social cohesion, unemployment and lack of social services as contributing much more to poverty than laziness. Women see the causes of poverty as emanating from within the persons themselves through, for example, ill health and laziness. For children, the lack of or inability to access education is the main issue, as the lack of education causes poverty while access to it provides a better life.

Box 7: Impact of Civil Conflict in Bombali

‘The war has destroyed all our properties, assets and savings. It has made people useless and unproductive through amputations and other forms of disability. It has increased ill health, and has disrupted our livelihoods, farming, trading and schooling.’ (A woman in Mathinka village, Bombali District)

(a) Freetown

Freetown is rather better off than the other urban areas, but a pattern of severity is piling up in the big city. The severity of poverty is higher than expected. A key concern with Freetown is congestion and the sanitary conditions in which the poor live. The average household size in Sierra Leone is 6.2 persons, while the average household size in Freetown is 6.0, about the national average. However, when household size is computed over poverty levels, it comes clear that the average number of persons in extreme poor households is about 12.5 in Freetown. The number reduces to 6.3 in moderately poor households and 5.9 in non-poor households. Further analysis of the data on the number of persons per room shows that in Freetown, the average number of persons per room in extreme poor households is 9.5 compared to 4.8 for the moderate poor and 3.6 in the non-poor households. What compounds the problem is that in Freetown, about 7 out of the 9.5 are dependent household members. Jointly, these perspectives have determined how the urban informal sector work has been approached. Labour is the main asset of the poor, but they are likely to be poorly educated, and their labour low-valued. Hence it is likely that in poor households, women and even children are forced to enter the informal sector and are likely to face competitive, dead-end occupations with low pay and long hours.

3.3.4 Rural Poverty

With the exception of Bonthe, Kambia and Koinadugu, the incidence of poverty is relatively higher in the rural than urban areas of all the other districts. Kenema, Kailahun, Bombali, Port Loko and Tonkolili districts have the highest incidence of rural poverty (Table 3.6).

Table 3.6: Poverty by District and Rural-Urban Place of Residence

| District | Urban | | | Rural | | |
|---------------|--|--|---------------------------------------|--|--|---------------------------------------|
| | Incidence of poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) | Incidence of poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) |
| Bo | 59.9 | 26.7 | 11.9 | 66.8 | 27.4 | 11.3 |
| Bonthe | 88.7 | 41.9 | 19.8 | 83.5 | 38.9 | 18.1 |
| Moyamba | 59.0 | 20.4 | 7.0 | 70.1 | 25.7 | 9.4 |
| Pujehun | 58.5 | 18.5 | 5.8 | 58.6 | 20.0 | 6.8 |
| Kailahun | 86.2 | 33.9 | 13.3 | 94.6 | 48.8 | 25.2 |
| Kenema | 77.5 | 28.1 | 10.2 | 95.0 | 47.6 | 23.8 |
| Kono | 52.9 | 16.8 | 5.3 | 79.6 | 35.8 | 16.1 |
| Bombali | 83.4 | 34.3 | 14.1 | 90.0 | 54.5 | 33.0 |
| Kambia | 75.6 | 16.9 | 3.8 | 67.7 | 23.3 | 8.0 |
| Koinadugu | 81.1 | 37.4 | 17.2 | 76.3 | 33.7 | 14.9 |
| Port Loko | 71.9 | 25.0 | 8.7 | 85.0 | 34.2 | 13.8 |
| Tonkolili | 87.7 | 46.5 | 24.5 | 84.2 | 35.0 | 14.5 |
| Freetown | 15.2 | 4.1 | 1.1 | - | - | - |
| Other Western | 52.8 | 20.7 | 8.1 | 42.5 | 16.7 | 6.6 |
| All | 54.3 | 26.7 | 10.8 | 78.9 | 36.6 | 17.1 |

Source: SLIHS, 2003/04

The relatively low incidence of poverty in the rural areas of Bonthe, Kambia and Koinadugu could be explained by the availability of economic activities in these areas. The urban area of Bonthe district (Bonthe Island) is remote, isolated and generally inaccessible, while the mainland, comprising most of the rural areas, is endowed with arable land and rich fisheries resources. The rural areas of Kambia District are predominantly rice growing and fishing areas

and there is a lot of cross border trading activities with neighbouring Guinea. In Koinadugu District, the people in the rural locations are engaged mostly in gardening and animal husbandry.

Poverty is also more severe in the rural areas (severity index of 17 percent compared to 11 percent in the urban areas). The rural areas contribute nearly 73 percent to total poverty, exceeding their population share of 66 percent. The major causes of poverty in the rural areas according to the qualitative data from the PPAs and the Civic Engagement processes are mainly: the wide gap in the availability of social services (health, education, safe water and sanitation) between the urban and rural areas; lack of agricultural inputs, market access and low incomes from the sale of produce; weak infrastructure (bad road networks, lack of storage facilities); lack of economic and employment opportunities; devastation by the war; and social barriers such as large family size within the rural communities.

3.4 Incidence of Poverty by Age and Gender of Household Head

Table 3.7 shows poverty levels according to the gender and age of the head of household. The age of the household head can be associated with a number of the features of a household's stock or portfolio of human assets. These features might include an indication of the age structure of the household. Young household heads tend to have smaller and younger families, while older heads might be expected to have larger families. Similarly, the age of the household head may be associated with some aspects of the productivity and self-perception of the household. For example, the older household head might have more opportunities for information gathering through long-established contacts that enable income-generating opportunities to be developed.

Table 3.7: Poverty in Sierra Leone by Age Group and Gender of Head

| Age Group of Household Head | Male Headed | | | Female Headed | | |
|-----------------------------|--|--|---------------------------------------|--|--|---------------------------------------|
| | Incidence of poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) | Incidence of poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) |
| 15-25 | 62.8 | 24.1 | 9.3 | 67.4 | 26.0 | 10.1 |
| 26-35 | 64.1 | 26.5 | 10.9 | 69.1 | 28.3 | 11.7 |
| 36-45 | 70.7 | 29.9 | 12.6 | 70.3 | 31.3 | 13.9 |
| 46-55 | 71.6 | 31.6 | 13.9 | 68.6 | 30.0 | 13.2 |
| 56-65 | 74.0 | 32.0 | 13.8 | 66.5 | 28.1 | 11.9 |
| 66 and Above | 78.5 | 35.0 | 15.6 | 60.0 | 24.2 | 9.7 |
| All | 70.2 | 30.1 | 12.8 | 67.6 | 29.0 | 12.4 |

Source: SLIHS, 2003/04

On the other hand, educational levels of older heads may be lower than the younger heads and their work experience and skills may be inappropriate for the demands of a changing economy, thereby reducing their opportunities for income generation. Young households that start with limited resources as recent school-leavers or recent migrants to urban areas are expected to be more vulnerable. As the household matures, it accumulates productive resources and other assets, and becomes less poor. However, as the household head nears retirement, vulnerability will recur.

Table 3.7 presents poverty indicators by age group and gender of the head of household. Certain clear patterns emerge regarding gender of heads and poverty. The headcount for female-headed households is 67.6 percent compared to 70.2 percent in male-headed households. The intensity ($P_1=30.1$) and severity of poverty ($P_2=12.8$) is highest in male-headed households. Taking the three indicators together, poverty in male-headed households is deeper and more severe than in female-headed households.

In the age groups of 15-25 and 26-35, poverty is higher in female-headed households than it is in male-headed households. The reverse is true in the age group of 36 years and above. The intensity and severity of poverty tells a similar story. At 78.5 percent, the incidence of poverty is highest in households headed by men aged 65 years and over, compared to 60 percent for those headed by women of the same ages.

3.5 Poverty by Household Structure

This section indicates which household structure is most likely to be in poverty. Evidence and research from other countries has shown that larger households tend to be poorer. The survey estimated that about 56 percent of the population lives in a traditional household structure. This is the one-man-one-wife structure. The average household size in this structure is estimated at about 6 persons. About 23 percent of the population lives in polygamous households. This is the one-man-several wives household. The average number of persons in these households is about 9 persons. About 3 percent of the population live in households headed by a single male, while 18 percent live in female-headed households (of which 3 percent are *de facto* female-headed households and 15 percent *de jure* female-headed). The survey also estimates that the average household size in single-male-headed households is 4, and 6 for female-headed households.

De facto female-headed households are households that are headed by men, who might have left their spouse for work in the diamond mines or in town. The survey found that in the rural areas, the men tended to have several wives who did not live in the same households. That these households are showing such high levels of poverty is no surprise. What is a bit surprising from Table 3.8 is the fact that the depth and severity of poverty in these households is not markedly different.

Table 3.8: Poverty by Marital Status of Household Head

| Marital Status | Incidence of poverty (P_0) | Intensity of Poverty (P_1) | Severity of Poverty (P_2) |
|-------------------------|-----------------------------------|-----------------------------------|----------------------------------|
| Traditional male Headed | 69.8 | 31.1 | 13.4 |
| Polygamous Male Headed | 74.8 | 32.7 | 14.3 |
| Single Male Headed | 62.6 | 29.7 | 12.7 |
| De facto Female Headed | 73.4 | 31.8 | 13.8 |
| De jure Female headed | 67.1 | 29.4 | 12.6 |
| All | 70.0 | 31.6 | 13.7 |

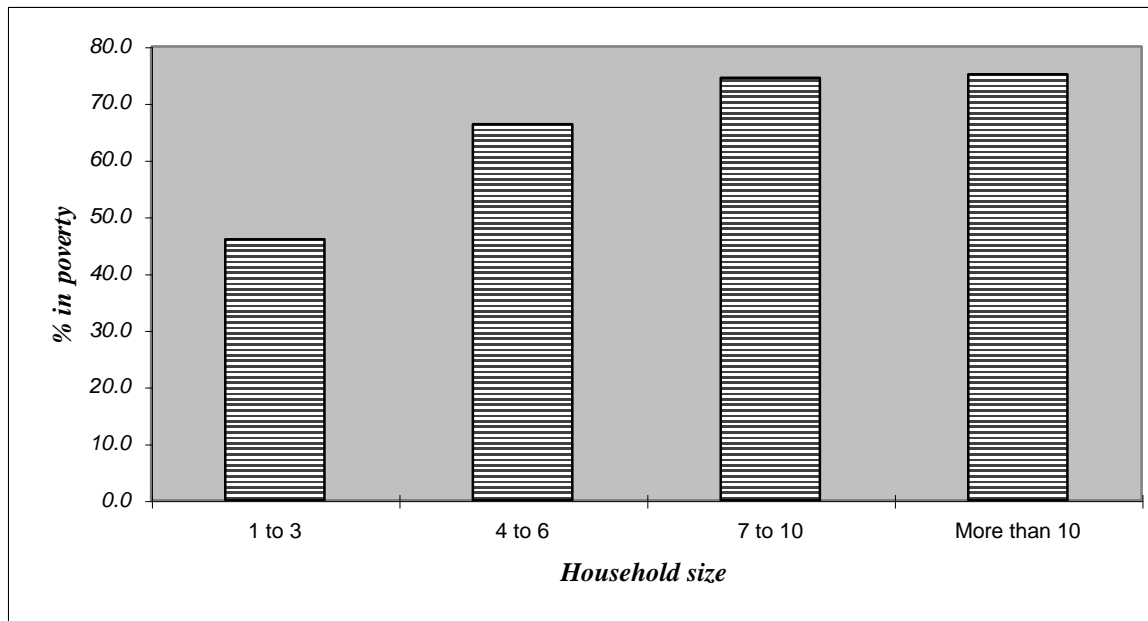
Source: SLIHS, 2003/04

Table 3.8 shows poverty by the structure of the household. Although the difference in poverty levels among households is not so distinct, polygamous households stand out very sharply, with about 75 percent of the population in these households in poverty and 36 percent in extreme or food poverty. These households are the most prone to food security problems, as well as literacy and school attendance problems.

3.6 Poverty and the Size of the Household

It is sometimes suggested that many households are in poverty because there are too many dependants (many of them children) for too few workers, who do not earn enough to cater for their needs. The data in Figure 3.2 support this conjecture. Poor households are generally larger than the typical Sierra Leonean household. The average household size in male-headed poor households is 6.9 compared to 5.7 in the non-poor male headed. In female-headed households the average poor household is 5.8 compared to 5.2 for the non-poor. Figure 3.2 gives a clear picture of poverty increasing with household size. Households beyond six members are most likely going to have poverty levels above the national average.

Figure 3.2: Graphic Illustration of Poverty by Household Size



Source: SLIHS, 2003/04

3.7 Poverty by Sector of Employment of Head of Household

The core issue in any poverty alleviation strategy is to assist poor people in getting access to work opportunities, which give them a pay level that keeps them and their families above the poverty line. As shown in Table 3.9, the incidence of poverty (in male-headed households) is highest in the agricultural sector, with about 79 percent of those engaged in the sector being poor. The intensity of poverty in the agricultural sector is more than twice as high as in the construction sector.

Table 3.9: Poverty in Sierra Leone by Occupation of Head of Household

| Occupation | Male Headed | | |
|---------------|--|--|---------------------------------------|
| | Incidence of poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) |
| Farmer | 79.4 | 35.1 | 15.5 |
| Mining | 61.3 | 22.2 | 8.0 |
| Manufacturing | 59.7 | 26.7 | 11.9 |
| Construction | 36.3 | 15.3 | 6.5 |
| Services | 50.7 | 19.4 | 7.4 |
| All | 70.0 | 31.6 | 13.7 |

Source: SLIHS, 2003/04

In Sierra Leone, and particularly the urban areas, although a large share of the population finds work in the informal sector, or manages to start some informal small or medium scale business or income generating activity, the pay is not high. In families where at least both husband and wife find work, the average family might remain poor but will be able to provide enough calories for the family. However, there are still problems including the following:

- The informal market has an artificial structure with a very large proportion of people working in retail and petty trading. There are relatively few people working in production of goods and other services, and those who do earn less than people engaged in trading.
- Many women have a large double workload, both at home and at the work place.
- While on average people doing trading are doing relatively well, there are still quite large pockets of trading employment with very low returns for work.

Table 3.10: Poverty Incidence by Employment of Household Heads

| Place of Employment | Incidence of poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) |
|----------------------|--|--|---------------------------------------|
| Agriculture | 83.1 | 38.6 | 17.9 |
| Public Employee | 45.2 | 16.2 | 5.8 |
| Parastatal/NGO | 33.5 | 12.0 | 4.3 |
| Private Sector | 31.3 | 9.7 | 3.0 |
| Self Employed | 51.2 | 18.0 | 6.4 |
| Unpaid Family Worker | 77.0 | 31.6 | 13.0 |
| Others | 68.5 | 27.9 | 11.4 |
| All | 70.0 | 31.6 | 13.7 |

Source: SLIHS, 2003/04

3.8 Poverty by Type of Employment

Table 3.10 shows the incidence of poverty by the employment status of household heads. Among the selected groups, those households headed by farmers have the highest incidence of poverty, estimated at 83 percent, as well as the highest intensity of poverty, estimated at 39 percent. The incidence of poverty among unpaid family workers is about 77 percent, and the intensity about 32 percent. It is not surprising that the incidence of poverty among people working in the non-agricultural activity private sector is lowest, since their wage rates are usually much higher than the national average wage.

3.8.1 Agriculture, Fisheries and Poverty

Although agriculture (including livestock) is the largest employer in the country (75 percent of the population) and the largest contributor to GDP (45 percent on average), survey results and sector reviews show that farmers, especially subsistence food crop farmers, are among the poorest in the country. This is largely due to major challenges in the sector at both the farmer and institutional levels, which include:

- Low capital investment (especially by the private sector); weak level of support for research technology generation; and poor extension services;
- Weak or total absence of vital agricultural support services including the absence of viable technology-based inputs;
- Weak credit and micro-finance markets to support input purchase and output marketing. Community-based organisations and farmers' associations are yet to deliver vital information and other services to the majority of rural farmers;
- Poor network of roads, transportation and communication facilities to support input delivery, product transportation and marketing;
- Low participation of farmers in policy formulation processes, thereby alienating the majority of small-scale farmers that dominate the agricultural landscape in Sierra Leone. Urban-based farmers' associations have not been able to bridge the huge gap between those who make policy at the centre and the farmers located in smaller settlements across the country;
- Institutional weaknesses, especially the shortage of trained and qualified technical/professional staff and unreliable management information systems.

The fisheries sub-sector alone contributes 9.4 percent of GDP and is the most important economic activity along the coastline of Sierra Leone. Fish is the largest single source of animal protein for the majority of Sierra Leoneans. The sector and its contribution to sustainable livelihood were badly affected by the war throughout the 1990s. Destruction of fishing infrastructure led to a drastic reduction in production of fish from pre-war levels. Poverty data also indicate that some of the poorest communities live in these coastal areas (in the Kambia, Moyamba, Bonthe and Pujehun Districts).

The fisheries sub-sector faces similar challenges to those outlined in the agriculture sector. However, additional specific problems exist which limit production levels. Among these are the following:

- Institutional weaknesses, especially shortage of trained human resources and inadequate funding for monitoring, control and surveillance of the country's territorial waters and for fisheries research;
- Weak infrastructure and support services, particularly the lack of a fishing harbour for supporting industrial fisheries;
- Inadequate extension services support for the sector and low production. These are manifested in under developed inland fisheries and aquaculture, inappropriate fishing gears, destructive fishing methods, lack of adequate skills and technology in seafood preservation, processing and packaging, and high post-harvest losses, especially in artisanal fisheries.

Box 8

Household Poverty Factors

According to the SLIHS 2003/2004, poverty is likely to increase when:

- a) the household lives in the rural area,
- b) the household is headed by a polygamous male,
- c) the age of the head of household increases,
- d) the household head cannot read and write a simple phrase, or
- e) the household head works as a subsistence crop farmer.

3.9 Other Household Characteristics and Poverty

Table 3.11 provides selected household characteristics by quintile from the poorest to the non-poor. These are categorised under demographic, economic and social characteristics.

3.9.1 Economic Characteristics

The poorest households allocate about 63 percent of their expenditure to food compared to 36 percent for the non-poor. Household savings are generally low and are largely through informal savings channels such as 'Osusu'. Net saving is negative across all households. Survey results also show that the poorest households do not own consumer durables such as refrigerators, radio, TV, etc. Across quintiles, not more than 17 percent of households own livestock. However, over 90 percent of all poor households rear chickens.

Table 3.11: Selected Characteristics of Households by Quintiles

| Characteristic | Quintiles | | | | |
|--|-----------|---------|---------|---------|---------|
| | 1 | 2 | 3 | 4 | 5 |
| Demographic Characteristics | | | | | |
| <i>Mean Household Size</i> | 7.06 | 6.72 | 6.35 | 5.5 | 5.5 |
| Economic Characteristics | | | | | |
| <i>Structure of Household Consumption Expenditure</i> | | | | | |
| percent of total Expenditure allocated to Food | 63.0 | 63.0 | 61.0 | 57.0 | 36.0 |
| percent of total Expenditure allocated to Non Food | 37.0 | 37.0 | 39.0 | 43.0 | 64.0 |
| <i>Ownership of Consumer Durables</i> | | | | | |
| Furniture | 41.7 | 60.8 | 59.5 | 62.0 | 70.7 |
| Sewing Machine | 1.4 | 2.4 | 2.3 | 2.5 | 8.0 |
| Stove | 0.5 | 1.7 | 2.0 | 4.9 | 24.7 |
| Refrigerator | 0.0 | 0.9 | 0.7 | 1.6 | 16.7 |
| Radio | 27.3 | 35.6 | 40.9 | 41.3 | 57.8 |
| Radio Cassette | 12.0 | 21.2 | 23.1 | 33.5 | 46.7 |
| T.V. | 0.0 | 0.2 | 0.4 | 2.5 | 18.4 |
| Iron (Electric) | 0.8 | 0.6 | 0.9 | 1.7 | 16.4 |
| Bicycle | 3.1 | 6.0 | 5.6 | 5.0 | 5.4 |
| Motor Cycle | 0.3 | 0.2 | 0.7 | 0.6 | 1.7 |
| <i>Ownership of Animals</i> | | | | | |
| Goats and Sheep | 8.5 | 11.4 | 15.4 | 17.3 | 15.8 |
| Chicken | 94.8 | 96.0 | 93.8 | 94.8 | 93.3 |
| <i>Household Savings (Osusu)</i> | | | | | |
| Current value of savings | 90,000 | 100,000 | 75,000 | 100,000 | 240,000 |
| Net Savings (<i>Amount Deposited – Amount withdrawn in the last 12 months</i>) | 30,000 | -50,000 | -35,000 | -15,000 | 0 |
| Social Characteristics | | | | | |
| <i>School Attendance</i> | | | | | |
| Male | 49.4 | 51.2 | 54.7 | 58.0 | 72.6 |
| Female | 32.8 | 34.1 | 41.2 | 43.1 | 60.2 |
| <i>Tenancy Status</i> | | | | | |
| Owning | 66.7 | 62.5 | 61.6 | 58.8 | 42.3 |
| Renting | 7.7 | 10.6 | 11.8 | 15.3 | 34.1 |
| House provided rent free | 25.0 | 26.0 | 25.4 | 25.2 | 21.9 |
| Other | 0.6 | 0.9 | 1.3 | 0.7 | 1.7 |
| <i>Source of Drinking Water</i> | | | | | |
| Inside Standpipe | 0.6 | 4.9 | 2.4 | 4.9 | 87.8 |
| Public Standard pipe | 12.9 | 18.0 | 17.7 | 19.7 | 31.7 |
| Well with pump | 17.7 | 15.5 | 21.8 | 26.7 | 18.4 |
| Well without pump | 17.8 | 19.3 | 19.6 | 22.5 | 20.8 |
| River, Lake, Stream | 21.0 | 22.5 | 21.6 | 22.0 | 12.9 |
| <i>Main Source of Lighting</i> | | | | | |
| Electricity | 3.8 | 4.1 | 6.7 | 15.5 | 69.9 |
| Generator | 12.2 | 22.0 | 14.6 | 31.7 | 19.5 |
| Kerosene | 17.8 | 19.5 | 20.8 | 23.5 | 18.3 |
| Candle | 0 | 0 | 0 | 0 | 0 |
| <i>Type of Toilet</i> | | | | | |
| Flush Toilet | 5.2 | 6.1 | 6.1 | 11.3 | 71.3 |
| Common Pit | 21.2 | 19.1 | 16.4 | 21.2 | 19.2 |
| Private Pit | 10.6 | 14.5 | 15.8 | 25.6 | 33.5 |
| Common Bucket | 33.3 | 13.3 | 13.3 | 26.7 | 13.3 |
| Private Bucket | 6.3 | 37.5 | 25.0 | 18.8 | 12.5 |
| VIP | 20.0 | 12.0 | 12.0 | 24.0 | 32.0 |
| Common Flush | 0 | 0 | 33.7 | 14.3 | 50.0 |
| Bush/ River | 18.7 | 22.0 | 24.0 | 21.8 | 13.6 |
| Other | 6.5 | 12.99 | 18.2 | 40.3 | 22.1 |

Table 3.11: Selected Characteristics of Households by Quintiles (cont)

| Characteristic | Quintiles | | | | |
|--|-----------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 |
| <i>Main source of fuel</i> | | | | | |
| Wood | 98.9 | 97.6 | 95.3 | 78.4 | 92.8 |
| Charcoal | 0.6 | 0.9 | 1.8 | 3.1 | 14.8 |
| Gas | 0.2 | 0.5 | 0.6 | 0.2 | 0.3 |
| Other | 0 | 0.3 | 0.1 | 0.5 | 1.4 |
| Hours per week fetching fire wood | 7.6 | 6.1 | 6.8 | 6.3 | 7.0 |
| Hours per week fetching water | 7.0 | 5.9 | 5.5 | 5.8 | 5.5 |
| Hours per week taking care of children | 17.2 | 18.5 | 19.3 | 21.4 | 24.3 |
| Hours per week disposing of garbage | 6.2 | 4.9 | 4.5 | 4.4 | 4.2 |
| Hours per week running errands | 12.4 | 10.8 | 10.0 | 9.2 | 7.7 |

Source: SLIHS, 2003/04

3.9.2 Social Characteristics

(a) Housing

About 67 percent of the poorest households own the houses they occupy, while fewer than 8 percent live in rented housing, compared to 42 percent and 34 percent respectively for the non-poor. However, the quality of houses owned by the poorest households is low. About 76 percent of houses owned by the poor are constructed with mud or poor quality corrugated iron sheet commonly known as “pan bodies”.

Overall, the country is facing a serious housing crisis after years of a destructive war. Poor housing is one of the manifestations of poverty in both rural and urban areas. More than one million people were displaced by the war, most of whom were resettled in rural communities. Less than 20 percent received support for family shelter from the NGO community or the government through NaCSA. The problem is both quantitative in terms of the number of facilities for the population and qualitative in terms of the type of housing units they occupy. The majority of the resettled are poor and generally live in poor shelter. In the urban areas, there is also an acute shortage of housing. This is reflected in the existence of large, heavily populated slums, especially in Freetown.

(b) Energy

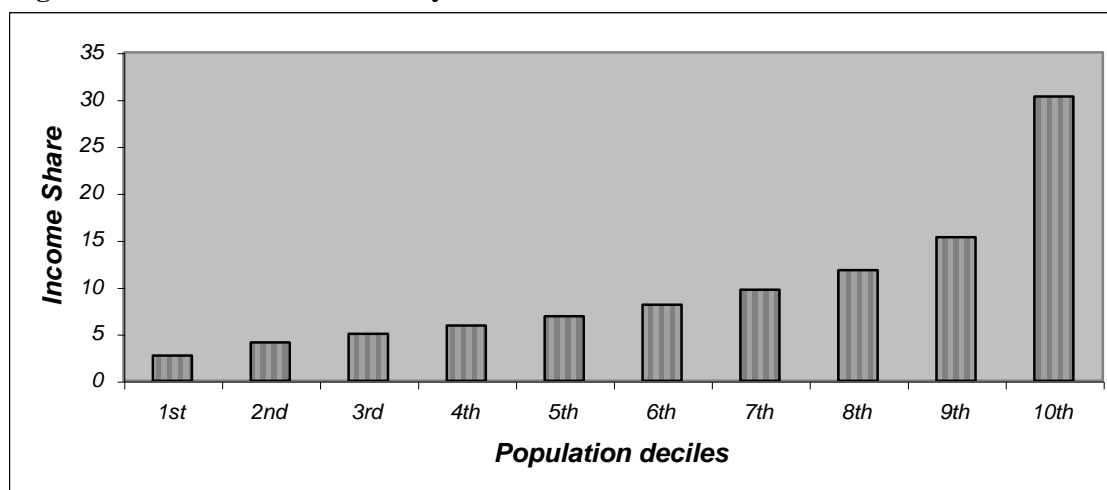
About 83 percent of all households use kerosene as the major source of fuel for lighting. Electricity serves as the main source of light for only 8.5 percent of households and these are mainly in urban towns (Pilot Census, 2004). Both poor and non-poor households use wood as the main source of fuel for cooking, while some of the poorest households in rural areas also use wood as a source of light and heating.

3.10 Income Inequality and Poverty

Figure 3.3 shows that in Sierra Leone, 10 percent of the population with the highest income accounts for 30 percent of total consumption expenditure, whereas the poorest 10 percent accounts for less than 3 percent. In the urban areas, the richest 10 percent accounts for 28 percent of total consumption spending compared to 29 percent in the rural areas. The poorest 10 percent in the urban and rural areas accounts for 2.6 percent and 3.0 percent of total

spending respectively. In Freetown, the richest 10 percent accounts for 24 percent of total consumption spending, whereas the poorest 10 percent account for 3.2 percent.

Figure 3.3: Income Distribution by Deciles



Source: SLIHS, 2003/04

3.11 Health, Nutrition, Water and Sanitation

The state of health of Sierra Leone's population is poor (Table 3.12). Life expectancy at birth declined to 34.3 years in 2002 from 42 years in 1990. It is 35.6 years for female and 33.1 years for male. In 2002, infant and under-five mortality rates were estimated at 165 and 284 deaths per 1,000 live births, compared to 185 and 323 respectively in 1990. The maternal mortality rate during 1985-2002 was estimated at 1,800 deaths per 100,000 live births. Child mortality rates are directly linked to the incidence of poverty. Urban mortality rates are lower relative to rural rates. High rates of mortality are also negatively correlated with the levels of a mother's educational attainment.

Fertility rates are also high. The fertility rate for women for the period 2000-2005 is estimated at 6.5. High fertility rates are associated with rural residence and low socio-economic status. The age at first childbirth for girls is low. The contraceptive prevalence rate also remains low at 4 percent.

The proportion of the population undernourished in 1999/2001 was estimated at 50 percent, compared to 46 percent in 1990/92. The MICS-II 2000 survey revealed that about 27 percent of children under the age of 5 were underweight or too thin for their age. About 34 percent were stunted or too short for their age and 10 percent were wasted or too thin for their height. The link between malnutrition and the incidence of poverty is evident. Children in rural areas are more likely to be stunted and wasted than children in urban areas. Similarly, children of

illiterate mothers are more likely to be underweight than children of women with some education.

Malaria and tuberculosis are prevalent and widespread. Recently, the HIV/AIDS epidemic has posed a particularly serious challenge for the country. The estimated national prevalence of HIV/AIDS is 4.9 percent with the Western Area having the highest, at 6.1 percent. The first HIV/AIDS case was detected in Sierra Leone in 1987 and since then, about 2,400 individuals have tested positive for HIV/AIDS, of whom 794 have developed the AIDS disease, and 438 are reported to have died. In April 2002, a National Zero-prevalence Survey, conducted jointly by the Sierra Leone Statistics Office (SSL) and the US Centres for Disease Prevention and Control (CDC), showed a national HIV prevalence of 0.9 percent with 2.1 percent in Freetown and 0.7 percent outside Freetown.

Also, the results of the first antenatal HIV prevalence study, based upon a total of eight testing sites, reported an overall national HIV prevalence of 3.4 percent, and 4.7 percent for Freetown. These more reliable figures regarding HIV prevalence further demonstrate the urgent need for assistance to control or rapidly stem a potential post-conflict epidemic. According to this result, at least 100,000 Sierra Leoneans may be living with the HIV virus.

Table 3.12: Demographic and Other Health Indicators

| | |
|--|-----------------------------|
| Population (2002 Estimate) | 4,800, 000 |
| Crude Birth Rate | 42 / 1000 |
| Crude Death Rate | 19 /1000 |
| Infant Mortality Rate | 165 / 1000 |
| Under Five Mortality Rate | 284 / 1000 |
| Maternal Mortality Rate | 1,800 / 100,000 live births |
| Life Expectancy at Birth (2002) | 34.3 years |
| Average Completed Fertility | 5.9 births / woman |
| Total Fertility Rate (per women) 2002-2005 | 6.5 |
| Contraceptive Prevalence Rate, 1995-2001 | 4percent |
| Disability Prevalence | 7.0 per thousand |
| Underweight Prevalence | 27.2 percent |
| Stunting Prevalence | 34 percent |
| Prevalence of HIV | 4.9 (preliminary results) |
| Access to Health Services | 40percent |
| Access to Safe Water | 57 percent |
| Access to Sanitation | 66 percent |

Sources: MOHS Statistical Information Sheet 1, July 2002, Various UNDP HDRs, and 2004 Pilot Sierra Leone Population and Housing Census

Some of the major challenges to the fight against HIV/AIDS include: (a) the limited understanding of the disease and the methods of its spread or transmission; (b) low acceptance, poor utilisation and limited access to condoms; and (c) low capacity for implementation, especially among Community-based organisations and NGOs. Sierra Leone needs more as well as better quality data on the disease to provide more information for strategy formulation at all

levels. Also, the outreach services are limited in scope to address the huge number of cultural factors that inhibit the adoption of safer-sex methods.

3.11.1 Poverty and Access to Health Care

Like education, health is a human goal, a human investment, and a means to increase income and avoid poverty. Poverty is both a consequence and a cause of ill health. Ill health, malnutrition and high fertility are often the reasons why households end in poverty, or sink further into it if they are already poor. Illness in a bread-winner – and the consequent loss of income – can determine a poor household’s ability to cope financially. Out-of-pocket payments for health services can make the difference between a household being poor or not. Additionally, high fertility places an extra burden on households, by diluting the resources available to other household members and by reducing earning opportunities, especially for women. Poor people lack the financial resources to pay for health services, food, clean water, good sanitation, and other key inputs for “producing” good health. However, it is not only low income that causes the high levels of ill health among the poor. It is evident that the health facilities available to them are often dilapidated, inaccessible, inadequately stocked with basic medicines, and run by poorly trained personnel. Furthermore, poor people are disadvantaged by lack of knowledge about prevention, as well as when and how to seek health care. In short, poor people are caught in a vicious circle – their poverty breeds ill health and this, in turn conspires to keep them poor.

When Sierra Leoneans perceive themselves as ill, there is a difference in seeking medical assistance between the poor and non-poor (Table 3.13). While 49 percent of the “food poor” and 37 percent of the “other poor” go to a nurse, only 26 percent of the non-poor also goes to a nurse. Only 9 percent of the food poor and 14 percent of the other poor go to a doctor compared to 33 percent for the non-poor. Table 3.12 also shows that the nurse (32 percent) is the most popular person to go to for consultation. Of all those who visit the nurse, 56 percent are the poor. The survey also showed that, of all those who visit the doctor, about 76 percent are the non-poor, and only the poor visit the traditional birth attendant.

Table 3.13: Health Consultations by Poverty Levels

| Who was Consulted | Food Poor | Other Poor | Non Poor | All |
|-----------------------------|-----------|------------|----------|------|
| Traditional Healer | 13.4 | 10.2 | 6.4 | 8.5 |
| Doctor | 9.3 | 14.1 | 32.5 | 23.6 |
| Nurse | 48.6 | 36.8 | 26.1 | 32.3 |
| Midwife | 0.4 | 0.6 | 1.8 | 1.2 |
| Pharmacist | 4.5 | 6.2 | 8.1 | 7.1 |
| Traditional Birth Attendant | | 0.3 | | 0.1 |
| Other | 23.9 | 31.8 | 25.1 | 27.2 |
| All | 100.0 | 100.0 | 100.0 | 100 |

Source: SLIHS, 2003/04

While the poor at least manage to arrange for some years of education, they have considerable problems with affording health service. In some areas, only people who can afford to travel or pay for private service have access to health service. But for the poor, the situation is worse, even if there is health service available, they cannot afford it. Hence, they often end up either making their own diagnosis and buying drugs at the local market or consulting traditional

healers. The majority of the poor, including the extremely poor, do not even buy drugs for malaria. In some cases, this may reflect that these drugs are not available in the market, or where they are, they are sold at prices that the poor cannot afford.

In Sierra Leone, the health care delivery system is characterised by a plurality of health service providers with the government accounting for about 70 percent. The general population utilisation rate of health care facilities is estimated at 0.5 contacts per capita per annum, implying that only one-half of the population attends a health care facility once a year. Physical distance to health care facilities and the unavailability of drugs represent a major barrier to accessing health care. Less than one-half of the population is estimated to have sustainable access to affordable drugs. The percentage of births attended by skilled health personnel is estimated at about 42 percent.

There are wide variations in the number of health care workers available per district with an over concentration of health personnel per capita in the Western Area. The number of physicians per 100,000 persons is estimated at 9. For Kailahun, this ratio is about 25 times worse than the recommended target.

3.11.2 Water, Sanitation and Poverty

According to the 2004 HDR of the UNDP, about 57 percent of the population had access to improved drinking water in 2000. The urban / rural disparity was indicated by the 2000 MICS-II Survey, which estimated that about 74 percent of the population in urban areas had access to safe drinking water compared to 46 percent in the rural areas. Data from the 2003 Pilot Population Census show that majority of households (43 percent) depend on rivers/streams, and another 26 percent on ordinary wells for water supply. Small proportions depend on mechanical wells (12 percent), public taps (12 percent), tap in compound (6 percent) and pipe indoors (1 percent). Similarly, fewer than 5 percent of all poor households have access to an inside standpipe as a source of drinking water compared to nearly 88 percent for the non-poor households. The majority of people in the rural areas rely on water collected from rivers, pools, shallow wells, springs and swamps, all of which are often polluted and serve as the main sources for contracting typhoid, cholera, dysentery, worms and parasitic diseases. The problem of water is compounded by the lack of long-term maintenance and/or destruction of existing facilities in many rural and urban towns during the war.

The sanitation situation is also unsatisfactory. Nationwide 83 percent of households use pit latrines, buckets, bush and rivers/streams as their sanitation systems for human waste disposal. Hardly any rural village has adequate pit latrines, posing serious health and environmental problems for the communities. In the urban areas, sanitation problems arise mainly from poor systems of solid waste disposal. It is a common practice for most households to dispose of refuse by dumping on roadsides, in drainages, or in backyards. The problem has been further compounded by the increasing rate of urbanisation coupled with the inadequate infrastructure and services for solid waste disposal. The 2000-MICS-II reported sewage and refuse disposal facilities to be grossly inadequate, contributing to the spread of water-borne diseases and malaria.

3.12 Education and Poverty

Table 3.14 shows poverty incidence by formal education attainment. At 75 percent, the incidence of poverty is extremely high among households whose heads have no education. The incidence of poverty decreases with the attainment of higher levels of education. For example, the incidence of poverty among university graduates is 17 percent.

Table 3.14: Poverty Incidence by Formal Educational Attainment of Household Head

| Educational Level of Household Head | Male Headed | | | Female Headed | | |
|-------------------------------------|--|--|---------------------------------------|--|--|---------------------------------------|
| | Incidence of Poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) | Incidence of poverty (P ₀) | Intensity of Poverty (P ₁) | Severity of Poverty (P ₂) |
| None | 74.5 | 32.3 | 14.0 | 72.2 | 30.9 | 13.3 |
| Primary Education | 63.2 | 24.2 | 9.3 | 57.9 | 29.5 | 15.1 |
| Junior Sec. School | 52.7 | 19.3 | 7.1 | 4.6 | 1.4 | 0.1 |
| Senior Sec. School | 45.2 | 18.2 | 7.3 | 28.2 | 9.8 | 3.4 |
| University | 17.2 | 8.4 | 4.0 | . | . | . |
| All | 70.2 | 30.1 | 12.8 | 67.6 | 29.0 | 12.4 |

Source: SLIHS, 2003/04

School attendance across households improves with the income of the household. School attendance is higher among males than females for both poor and non-poor households, rising among males from nearly 50 percent in the poorest households to over 70 percent for the non-poor. For females, it rises from about 33 percent to 60 percent.

Table 3.15: Literacy Level by Gender

| Sex | Read in English | | | Can do written Calculations | | |
|--------|-----------------|-------|-------|-----------------------------|-------|-------|
| | Child | Youth | Adult | Child | Youth | Adult |
| Male | 5.4 | 34.8 | 35.2 | 18.1 | 50.9 | 37.1 |
| Female | 5.2 | 31.7 | 17.8 | 18.8 | 4.5 | 19.7 |

Source: SLIHS, 2003/04

At 31 percent, Sierra Leone's adult literacy rate is one of the lowest in the world. Adult literacy rates by gender much lower outside the Western Area. Four out of five male are literate in the Western Area compared to 1 in 13 female in the Northern Region and 1 in 10 female in the Eastern Region. According to the survey results shown in Table 3.15, 18 percent of adult females (above 18 years) can read English, compared to 35 percent for adult males; while 20 percent of female adults and 37 percent of male adults can do written calculations.

The survey also shows that 2.3 percent and 1.4 percent of males and females attended adult literacy classes, respectively. The reasons for not attending literacy classes for both males and females include non-availability, large number of household chores (8 percent males and 16 percent females) and lack of caretakers for children.

In the early 1990's, the primary Gross Enrolment Ratio (GER) declined to 51 percent. It was 17 percent in secondary schools. In 2001, the GER for primary school was estimated at 90.4

percent. Results from the Integrated Household Survey show that the overall GER rose to 122 percent at the end of the 2002/03 school year. The GER for secondary schools was 41 percent, with junior secondary 47 percent and senior 34 percent, in mid 2003.

Table 3.16: Primary and Secondary Gross Enrolment Rates by Location and Gender (Percent)

| | Primary | | Junior Secondary | | Senior Secondary | |
|--------------|---------|--------|------------------|--------|------------------|--------|
| | Male | Female | Male | Female | Male | Female |
| Urban | 114 | 134 | 82 | 60 | 66 | 47 |
| Rural | 115 | 103 | 26 | 14 | 13 | 9 |

Source: SLIHS, 2003/04

According to SLIHS results, the gender enrolment ratio (females to males enrolled) increased from 87 percent in 2001 to 98 percent in mid 2003. At 112 percent, the primary gender enrolment ratio is highest in the Western Area and lowest in the Northern Region (42 percent). The gender enrolment ratio for the Eastern and Southern Regions are 52 percent and 76 percent respectively (MICS-II, 2001). As shown in Table 3.16, gender enrolment disparities at the secondary school level are very wide. The gender ratios for Junior Secondary School and Senior Secondary School are 72 and 51 percent respectively. In recent years, the junior secondary gender enrolment ratio has improved significantly, rising from 63 percent in 2000 and 2001 to 72 percent in mid 2003. Another way of looking at gender disparities is the GER gender gap, that is the difference between the male and female GERs. The junior secondary GER gender gap is more than 20 percentage points for six districts: Bonthe (30), Pujehun (33), Kailahun (24), Kono (39) Kambia (43), and Port Loko (24).

The provision of basic education and increasing access, especially in the rural areas, are still key challenges for government in most rural communities in the country. Poverty assessments reveal the absence of the essentials of life and low income earning opportunities among the rural poor as the main reasons for their isolation, and this in turn explains the near absence of educational opportunities in many rural communities. Also, many rural locations that have primary schools do not have trained and qualified teachers, for the same reasons. In villages with qualified teachers, the pupil to teacher ratio is very high. Government's recent drive to encourage children to go to school has also created the unintended effect of overcrowding, even in urban areas.

Equally challenging is the provision of facilities at junior secondary school level to meet the growing demand from children successfully completing primary education in all parts of the country. Not all chiefdoms in Sierra Leone presently have junior secondary schools to meet the needs of children desiring to continue at that level. Potential access to secondary education is a central motivation for parents' decision to invest in primary schooling for their children. Evidence shows that where the chance of access to secondary schools has not kept pace with primary enrolment, enrolment in primary education has fallen.

The inadequate number of qualified teachers for all the basic and tertiary levels, the poor state of science teaching, and the absence of ICT in secondary schools, are major concerns for human resource development and capacity building. Higher learning institutions also face considerable resource constraints, leading to shortages of essential personnel for science and technology teaching, applied agricultural research and extension, and health care. This state of

affairs in education has negative effects on the country's ability to sustain the fight against poverty.

3.13 Other Causes of Poverty in Sierra Leone

The causes of poverty in Sierra Leone are many and closely interrelated. As analysed so far, the pervasiveness and severity of poverty in the country result from a combination of bad domestic policies, adverse external developments and other natural factors. The most frequently mentioned causes of poverty during the PPAs, Focus Group Discussions and PLFs are: (a) bad governance, especially corruption; (b) the 11-year civil conflict; (c) unemployment (or the lack of economic opportunities); (d) inadequate social services; (e) the debt burden; and (f) vulnerability to risks and shocks such as fluctuating prices, heavy dependence on donor aid, illness and seasonal factors that affect livelihoods.

3.13.1 Bad Governance

For almost thirty years, bad governance in Sierra Leone was characterised by an over-centralised system of administration, an over-burdened and ineffective judicial system, weak and inefficient public and local government institutions, thriving corruption, mismanagement, inappropriate fiscal policies and ill-conceived economic policies. Over-centralisation of political power and public financial resource management in Freetown precipitated exclusive governance and lack of access to basic social services for the majority of the rural populace. This created a conducive environment for massive corruption at all levels of society, as the legal, political and economic structures and processes of the state were perverted and transformed to serve the private interests of the governing elites and their associates rather than society. Presently, corruption is generally regarded as a key factor that undermines the country's socio-economic and political development.

Similarly, the justice system is plagued with outdated laws, inadequate personnel and logistical problems, leading to backlogs of cases, delays in proceedings and too many adjournments, making it difficult for the poor to access impartial and equitable justice. For the rural poor, access to justice is usually through the local courts presided over by court chairmen and clerks. The courts are also constrained in many ways, including limited jurisdiction over relatively minor matters, illiterate court chairmen with limited training in court procedures and human rights, lack of logistics, and most importantly, discriminatory laws against women and children especially in matters relating to land ownership and inheritance. Heavy fines and unreasonable punishments form part of the long list of problems.

Added to this plethora of problems is the weak and inefficient civil service with a poor record of service delivery, especially to the poor. Favouritism and nepotism in recruitment of key personnel, low salaries and poor conditions of service, limited training opportunities, corruption and abuse of public office, and lack of effective enforcement of rules and regulations, are some of the challenges to good governance. This has contributed to weak capacity for economic policy formulation and implementation.

Sierra Leone also lacks a vibrant and organised civil society to influence government policies and programmes in favour of the poor. Civil society is highly unstructured and fragmented. Most of the organisations lack technical capacity and other resources to effectively carry out their functions.

Other major governance issues mentioned by the people include a relatively weak parliamentary oversight, lack of policies to protect the vulnerable, weak and inefficient channels of communication, human rights abuses, lack of effective mechanisms to enforce rules and regulations and inadequate financial allocation and logistical support to district and chiefdom authorities. The cumulative effect of all of these factors resulted in weak and ineffective service delivery mechanisms that contributed to high levels of poverty in the country. It is not surprising therefore that “Good Governance” emerged as one of the top national priorities from the SPP focus group discussions and the district PRSP consultative exercise.

3.13.2 The Civil Conflict

The ten-year civil conflict resulted in a large scale devastation of the economy, undermined political processes and institutions, retarded human development resulting in massive deaths and human suffering. The conflict only intensified an already bad situation that was characterised by bad governance, a declining economy, high levels of poverty and general frustrations. Economically, the war led to macroeconomic disequilibria as manifested by declining per capita GDP, widening balance of payments deficits, rising inflation, exchange rate depreciation, and increased debt burden. It further negatively impacted on economic resources and institutions, and private investment, thereby damaging the local and national economy and productive assets. The GDP per capita estimated at US\$237 in 1990 declined by about 40 percent during the subsequent decade to about US\$142 in 2000 (GOSL, 2001).

The conflict also resulted in the destruction of the limited social services available. It is estimated that about 50 percent of health and educational facilities were vandalized. Death/migration of trained health staff, combined with insecurity and unaffordable costs of medical services drastically reduced accessibility to primary health care services. The insecurity created by the war disrupted the livelihoods of poor people, created economic shocks, unemployment (about 5,000 workers were laid off in 1999 following the collapse of the manufacturing and private sector establishment) and massive displacement and dislocation of persons. It was estimated that over two million persons were displaced with about 1.5 million fleeing to neighbouring countries. The meagre government resources needed for socio-economic development were diverted to the war effort. For example, in 1999, security-related expenditures were estimated at 4.6 percent of GDP compared to 1.1 percent for social and economic sectors. The conflict destroyed the social fabric of society and the coping mechanisms of the rural poor, disrupting support often provided under the extended family and kinship systems, exacerbating divisions and hostilities between groups and families and resulting to a breakdown in social networks and inter-group economic relations.

The conflict has been perceived as the most important cause of poverty in the country. Thus, unrest and chaos caused by social divisions are far more important factors characterising

poverty than what may be expected from lack of service provision in, for example, education and health care. This has left a feeling of powerlessness among many people since their homes have been destroyed, their children maimed, and many killed. Feelings of disunity, distrust and revenge are still present in many communities.

3.13.3 Weak Economic Growth

Although economic decline had begun in the 1980s, the situation became precarious in the 1990s, largely dictated by the worsening security situation. The protracted civil war and the general insecurity associated with it resulted in loss of confidence, a sustained contraction in output and substantial increase in poverty. The particularly violent episodes of rebel activities in 1995, 1997 and 1999 reversed any economic gains made during the intermittent peace moments during the conflict period, and disrupted the implementation of key policy reforms, thereby constraining the progress that could have been made in alleviating poverty. In 1997, real GDP plunged by 18 percent, stagnated in 1998 and declined by 8 percent in 1999, resulting in high unemployment levels and decline in per capita incomes.

Following improvement in the security situation in late 1999 and consequent expansion in economic activities, the economy began to recover, with real GDP increasing by 3.8 percent in 2000. The economy continued to expand with real GDP rising by 5.4 percent in 2001, 6.3 percent in 2002, and 6.5 percent in 2003 and projected to grow by 7.4 percent in 2004. However, the levels of growth attained so far are still insufficient to substantially reduce poverty, given its high incidence, depth and severity.

3.13.4 Unemployment

Unemployment or the lack of economic opportunities was cited by the poor themselves as one of the major causes of poverty. The capacity of the agricultural sector, which employs over 70 percent of the economically active rural population, is under-utilised. Hence, most of the rural working population is underemployed. Its productivity is very low, with most of the production being home consumed, and in most cases inadequate to meet the basic daily caloric requirements. Thus, one of the main causes of rural poverty is the insufficiency of incomes received from the sale of agricultural products. The low productivity and incomes in the agricultural sector have forced able-bodied youths to migrate to the urban areas to seek employment and improve their standards of living. Unfortunately, most of them could not fulfil their dreams and consequently joined the ranks of the urban poor and unemployed. The private sector is also not operating at optimum capacity, given the low level of private investment, and therefore could only provide few job opportunities.

The 2003/04 Integrated Household Survey also shows that the incidence of youth poverty is about 58 percent. This is manifested in the high rate of unemployment and underemployment in their group in both rural and urban areas. The extremely poor among them are largely marginalized and include the disabled, school dropouts, unemployed, commercial sex workers, drug addicts, diamond diggers, HIV/AIDS infected and sexually/physically abused young boys and girls, pregnant girls, teenage mothers and the homeless. The young men and women in this category are vulnerable and face the risk of staying or sliding into poverty as economic and

social conditions get more difficult and as they have limited coping options. Their inability to cope with the growing hardship has increased their perception of being marginalized, a condition for anti-social behaviour, especially in the informal sector where they reside.

3.13.5 Inadequate Social Services

Another major cause of poverty is the limited availability and weak delivery of social services to the rural poor. As indicated earlier, accessibility to basic social services such as health, education and safe drinking water remains a severe constraint to the majority of the people. For example, the health sector is plagued with shortage of qualified health personnel, inadequate and unaffordable drugs and other essential medical supplies, and inequitable distribution of health facilities. Similarly, the education sector is faced with several challenges; including shortage of trained and qualified teachers, insufficient teaching and learning materials, and deplorable and inadequate school infrastructure. Access to safe water and sanitation facilities is very limited.

3.13.6 Debt Burden

The unsustainably large debt is also another major source of poverty. High debt service payments crowd out high priority investment in the social and economic sectors, which would have enhanced human development and economic growth. Sierra Leone's external debt including arrears was estimated at about \$1.6 billion or 205 percent of GDP, and domestic debt at 22 percent of GDP in 2003. External debt service payments are estimated at 56.6 percent of exports of goods and non-factor services.

3.13.7 Vulnerability to Risks and Shocks

Sierra Leone, like other countries in Sub-Saharan Africa, is often adversely affected by external shocks transmitted through changes in international prices of primary exports and imports. International prices of the country's major exports (cocoa, coffee, bauxite and rutile) continue to fluctuate with a downward trend. At the same time, the prices of imports especially petroleum products remain high. These unfavourable terms of trade lead to shortages in foreign exchange and eventual depreciation of the nominal exchange rate and increase in domestic prices.

The heavy dependence on donor aid has compounded the vulnerability to external shocks, considering that about 50 percent of the national budget is donor funded. Shortfalls or delays in donor disbursements often force the government to cut down expenditures including poverty related expenditures. Alternatively, the government resorts to borrowing from the domestic banking system to fund key expenditures, thereby increasing the domestic debt burden and fuelling inflation. These developments in turn adversely affect the welfare of the poor and increase the levels of poverty.

At the household level, illness is the most common frequently shock mentioned by all communities. In the case of a household head or breadwinner in the family, illness can have devastating consequences. During the rains when labour is needed in the fields, illness is most

common and can render a shock that is particularly devastating to a family or community and put with a successful harvest at risk.

Seasonal factors also provide risks and shocks to livelihoods. Although it might be said that these could be anticipated, many suffer from damage to crops and homes during the violent storms in the rainy season, as well as the increase in sickness and food costs during the period.

3.13.8 The Vulnerable

The PRSP poverty assessments, including risk and vulnerability analysis, have revealed that the vulnerable constitute the category of extremely poor Sierra Leoneans with the highest risk of staying poor, following the general weakness and slow recovery of economic and social conditions. As a group, they have low capacity to cope with the economic and social shocks that threaten survival in a post-conflict economy, due to their inability to accumulate and retain assets, and the loss of the informal safety net provided by extended families and friends. They are thus trapped in a vicious circle. Box 9 shows the groups who fall into the categories of the most vulnerable.

| Box 9 |
|---|
| Categories of the Vulnerable in Sierra Leone |
| Amputees |
| Widows and Female Single Parents |
| Widowers |
| Unmarried Single Girl/Mothers |
| The Aged or Elderly |
| Street Children |
| Children in conflict with the war |
| Homeless |
| Polio Victims |
| Slum Dwellers |
| Orphans |
| Discharged Prisoners and Child Prisoners |

The major problems and challenges they face, in addition to their disability, include: (a) limited access to food and jobs or income earning opportunities; (b) lack of medical facilities and psycho-social services; (c) lack of adequate shelter; (d) high rate of sexual and other abuses; and (e) discrimination and stigmatisation, even within their own extended families.

3.13.9 Vulnerability and Child Poverty

The vulnerability of children has become very acute since the end of the war. As one of the most powerless groups in society, children often bear the heaviest burden of extreme poverty and deprivation. When the family's source of revenue fails, children leave school, their health and nutrition suffer and they have to take paid and unpaid labour, particularly household labour, and other productive activities such as mining and farming for their livelihoods. Others end up as street children.

The war destroyed the lives of a high proportion of children. They were not only used as perpetrators of violence but were also victims of separation, displacement and violence. Their vulnerability was further worsened by the absence of educational facilities and opportunities, shelter, food, health and recreational facilities. The child is most vulnerable in the area of protection, which factor contributes 66 percent to overall child vulnerability. In the recent PRSP poverty assessment, children mentioned poor food, lack of support from parents and lack of education as the most serious manifestations of poverty. In terms of coping strategies, they relied on the sale of their labour, processing wood, charcoal and palm oil, and street begging.

Some of the key challenges to fighting child poverty include: (a) absence of a national framework to address the issue of children; (b) poor quality child service delivery, especially in the social sectors; (c) decline in family, cultural and traditional values; (d) powerlessness; and (e) dreadful child labour. (See Box 10 for details)

3.14 Conclusion

From the forgoing analysis, it is clear that poverty is widespread and deep in Sierra Leone. The eleven-year war compounded an already bad situation, deepening the level of poverty in both the rural and urban settings. However, combined with bad governance, the violent conflict is generally perceived as the major cause of poverty in Sierra Leone as it affected the livelihoods of virtually every Sierra Leonean.

The people considered the lack of food or hunger as the strongest manifestation of poverty in their communities. There is also wide disparity in the spatial/geographical distribution of poverty. Poverty in Sierra Leone is essentially a rural phenomenon though the urban areas outside Freetown also have a high incidence of poverty. Poverty is relatively higher in the remote districts of Bonthe in the Southern Province and Kailahun in the Eastern Province as well as the economically less productive districts of Bombali and Tonkolili in the Northern Province.

The SLIHS shows that the employment status of household heads, the sector in which they are employed, and their level of education, determine the degree of household poverty. The incidence of poverty is higher among farmers, most of whom are engaged in subsistence farming on smallholdings and using crude implements, as well as households whose heads have little or no formal education. School attendance across households improves with the income of the household. Poverty is high across all ages of household heads. In particular, the poverty rate of 58 percent among the youthful working population indicates clearly the lack of employment and economic opportunities for the productive bracket of the labour force.

Box 10
Challenges of Child Poverty in Sierra Leone

- a) *Lack of National Framework for Child Survival, Protection and Development*
Absence of a policy framework makes child survival and protection difficult. Widespread human rights abuses leave girls and boys in need of social service such as psycho-social care, counselling, foster homes and disability programmes.
- b) *Unequal distribution of household's resources in favour of adults*
The child always suffers as a result of unequal distribution of household resources in favour of adults, especially in terms of food. Leakages of budgetary resources allocated to child related sectors such as health and education increase child deprivation.
- c) *Poor quality of child service delivery*
Poor service delivery in education, health and other social sectors has resulted in inadequate accessibility to these facilities. This problem is compounded by large regional and gender disparities.
- d) *Decline in family, cultural and traditional values*
The decline of the family unit and community approach to child rearing undermines the much-needed supervision of children inside and outside their family setting. This leaves children exposed to all forms of abuse. The poor availability of food and food taboos affect the nutritional status of children.
- e) *Child powerlessness and the subsequent high poverty cost*
The view that children are passive, 'right-less' and 'voiceless' members of society has led to their low participation in the decision making process on issues that affect their lives.
- f) *Child Labour*
Children, particularly in environment of hardship, are often required to contribute to the economy of households. Various exploitative forms and practices of child labour are widespread and endemic. They must be curtailed as they significantly affect the growth and development of children. Child labour has many faces in diamond mining, petty trading, farming and domestic chores and is often hidden by cultural perceptions and child rearing practices. Increasing child trafficking and child sexual abuse.

In addition to the high incidence of income poverty, Sierra Leone's poor social indicators – including infant and maternal mortality, illiteracy rates, access to education, health care and safe drinking water – reflect the low level of human development. For example, one of the consequences of a person's ill health is that he/she cannot undertake any productive activity, including agricultural labour, petty trading or wage employment, and cannot therefore provide for the family.

The human development indicators clearly reveal the severity of poverty among women. The maternal mortality, infant mortality and fertility rates are extremely high among women and among the worst in the world. The contraceptive prevalence rate and the age at first childbirth for girls remain low. School attendance is higher among males than females for both poor and

non-poor households. The quantitative data also indicated that income levels are extremely low among women, particularly those in the rural areas.

Finally, vulnerability of the population to various economic and social shocks has gained significance in explaining the state of poverty in Sierra Leone. One of the recommendations from this analysis of the country's poverty profile is for more systematic surveys to be undertaken to throw more light on this trend and others, which have not been adequately treated in preparation of this PRSP. However, the foregoing analysis underpins the choice of poverty reduction pillars and associated policies in the ensuing chapters.

CHAPTER FOUR

MACRO-ECONOMIC DEVELOPMENTS AND STRUCTURAL REFORMS

4.0 Introduction

Experience of new economic development policies and structural reforms in Sierra Leone up to the time of the PRSP provides a useful basis for determining the enabling macroeconomic environment and the structural reforms that will be sufficient for successful implementation of the national poverty reduction strategy. The analysis reflects three major phases in Sierra Leone's economic history: (a) two decades of progressive economic decline (1970-1990); (b) the civil war (1991-1999); and (c) post-conflict reconstruction and nation building.

4.1 Macro-economic Performance

4.1.1 The first 25 years

At independence in 1961, Sierra Leone's economic prospects were sound and promising, based largely on some of the important legacies of colonial economic management, especially corporate mining of alluvial diamonds, iron ore and bauxite. Table 4.1 shows the growth in real GDP and in GDP per capita during the first three decades of independence.

Table 4.1: Growth of Real GDP and GDP per capita in Sierra Leone, 1963-1988

| <i>Years</i> | <i>Real GDP, 1963/64 = 100</i> | <i>Average Annual Growth Rate</i> | <i>Real GDP per capita, 1963/64 = 100</i> | <i>Average Annual Growth Rate</i> |
|--------------|--------------------------------|-----------------------------------|---|-----------------------------------|
| 1963/64 | 100 | | 100 | |
| 1968/69 | 117 | 3.2% | 107 | 1.5% |
| 1973/74 | 149 | 5.0% | 126 | 3.3% |
| 1978/79 | 161 | 1.6% | 122 | -0.6% |
| 1983/84 | 188 | 3.1% | 127 | 0.8% |
| 1988/89 | 182 | -0.7% | 108 | -0.1% |

- The economy grew significantly during the 1960s, by about 4.5 percent on average per annum (except for two years of negative growth between 1967/68 and 1968/69, because of the first experience of military interventions). Growth was largely driven by strong mining and agricultural productivity and exports.
- The economy however slowed markedly during the 1970s and 1980s as the decline in corporate mining spread through the monetized economy. By the end of the 1980s, the economy was near collapse, characterised by declining GDP per capita, rapid inflation, and a severe external payments imbalance. The economic and financial decline was also caused by adverse international market conditions for domestic exports and inappropriate domestic policies. The institutional setting weakened and growing inefficiencies emerged in the infrastructure and marketing systems. In absolute terms,

per capita income remained rather positive, cushioned mainly by the external financing of the trade deficit. Income per capita growth however fell correspondingly with the GDP decline during the three decades.

- As the economy slipped into decline, inflation also rose significantly, from about 3 percent per annum on average in the 1960s to 12 percent and 50 percent per annum in the 1970s and 1980s respectively.

The terms of trade deteriorated from an annual rate of 4.6 percent in the 1960s to –2.6 percent in the 1970s and about –1 percent in the 1980s. The external shocks to the export sector resulted in serious balance of payments difficulties. An estimated amount of US\$75 million was lost in the 1980s in export earnings from the decline of mineral production, representing about half the average value of exports for the previous decade. This loss was however partly offset by the significant increase in the export value of the three major tree crops - coffee, cocoa and palm kernels.

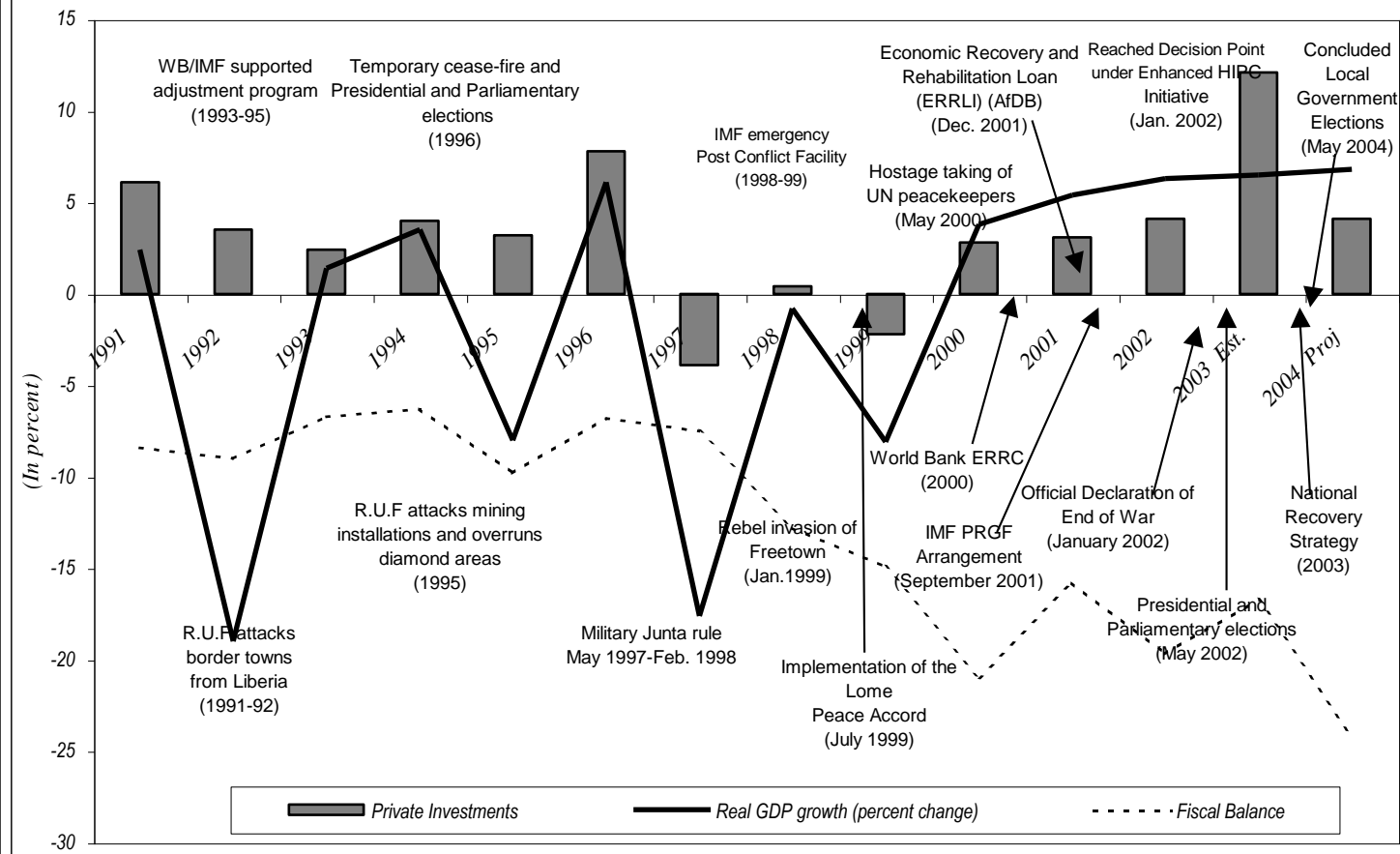
4.1.2 The War Period

The war began in mid-1991 and continued for the rest of the decade, with recurring outbreaks of countrywide hostilities and political instability. As described in Chapter One, most of the country's economic and physical infrastructure was destroyed. Mining activity was halted and many farms were abandoned, tree crop plantations were swallowed by bush and mangroves reclaimed lowland rice fields. The provision of key social services outside the capital virtually stopped owing to the large-scale destruction of education and health infrastructure. Figure 4.1 shows the impact of the war on the economy.

Growth performance during the war period was mixed, though substantially negative and with high inflation. Real GDP declined by 10 percent in 1995 but grew by 5 percent in 1996. The overall budget deficit fell to 6 percent in 1996 from 12 percent in 1991. Annual inflation also fell from 115 percent in 1991 to 6 percent in 1996. The exchange rate also remained relatively stable. However, in May 1997, the new democratically elected government was overthrown by a violent coup. The resulting instability once again adversely affected economic performance and disrupted the implementation of structural adjustment programmes. This constrained the progress that could have been made in addressing growth and poverty. However, the actions and measures adopted on the return of the elected government in February 1998 saw a modest recovery in economic activity.

The rebel attack on Freetown in January 1999 and the renewed fighting across the country all over again put an end to the modest economic recovery that had started in 1998. Output fell, and the associated reduction in the domestic revenue base led to a 56% decline in revenue during the first half of 1999. With rising Government expenditures driven by security-related outlays, the overall budget deficit (excluding grants) reached an estimated 15 percent of GDP. Without access to external budgetary assistance, the Government financed the budget deficit almost entirely through the domestic banking system. Reflecting these trends and the increasing supply shortages, the end-period inflation surged from 6 percent in December 1998 to 37 percent at end December 1999.

**Figure 4.1 Sierra Leone: War Impact on Key Economic Indicators,
1991 - 2004 Projections**
(In percent of GDP, unless otherwise indicated)



4.1.3 The Post-war Period

The cessation of hostilities and eventual restoration of security countrywide strengthened confidence, which facilitated economic recovery during 2000-2004. Economic activity was spurred by the countrywide reconstruction and rehabilitation work. Real GDP, which had increased by 3.8 percent in 2000, rose sharply by 18.5 percent in 2001. It further increased by 27.5 percent in 2002 and 9.4 percent in 2003, largely on account of the broad recovery in agriculture, mining, manufacturing, construction and services sectors. Real GDP grew by 7.4 percent in 2004, supported mainly by the continued recovery of the agricultural sector, expanded reconstruction and other investment activities. Domestic revenue also increased from 7 percent of GDP in 1999 to over 12 percent of GDP in 2003 and remained about the same level in 2004.

Inflation also fell sharply in 2001, being negative in most of 2002, and contained at a single digit in 2003. The official exchange rate remained relatively stable during 2001-2002 and the first half of 2003. Interest rates remained generally stable and positive in real terms during 2001-03. However, inflationary pressures re-emerged in the second half of 2003 and continued into 2004. Average annual inflation rose to 8.2 percent, resulting initially from higher fuel costs, expansionary monetary policy (partly owing to delays in donor support), and a depreciation of the exchange rate.

Diamond exports grew strongly by 36 percent in 2003. At the same time, imports growth remained at a high 15 percent due to continued expansion in reconstruction activities and higher oil prices. As a consequence, the current account deficit, excluding official transfers, widened to 26.8 percent of GDP in 2003 from 25.6 percent in 2002. The current account deficit is projected at 25.2 percent of GDP in 2004.

4.2 Macro-economic, Financial and Structural Reforms

Since independence, successive governments have sought to deal with the nature and causes of economic decline through substantial programmes for stabilisation and institutional reforms supported by external development partners, including the IMF, World Bank, AfDB etc. These programmes, which were accentuated by the special post-conflict emergency and reconstruction requirements, aimed to improve the standard of living of the people by halting further deterioration at the macroeconomic level, and moving to a phase of continuous economic growth. The focus was on two major axis: (a) stabilisation policies, which sought to restore the overall economic balance and control inflation; and (b) structural reforms, which aimed to set the economy on a high growth and sustainable development path by correcting institutional and systemic inefficiencies.

4.2.1 Macroeconomic Reform Programmes

(a) The 1970s and 1980s

In the 1970s and 1980s, Government launched a series of IMF-supported Standby Programmes of stabilisation and adjustment that focused on measures to reduce budget deficits, provide

balance of payments support, eliminate over-valuation of the exchange rate, and improve resource allocation. These policy interventions, however, failed to reverse the economic decline. The programmes did not run their full course, partly because of the government's inability to meet the stipulated conditionalities. These earlier efforts therefore made little impact in improving economic conditions. The situation was compounded by extensive government intervention in the economy through impulsive wage and price fixing, control of bank credit, nationalization, foreign exchange control and payments restrictions. Consequently, by August 1987, Sierra Leone's relations with the IMF and World Bank had deteriorated into a non-accrual status largely on account of the continued build up of huge debt service arrears. After protracted negotiations with the IMF, the government initiated a new economic recovery programme (Shadow Programme) in late 1989, which sought to normalise relations with the IMF while correcting the large macroeconomic imbalances and improving public financial management.

The overall assessment of the nature of the decline of the economy in the first three decades of independence, as well as of the subsequent policy interventions, rested on the success or failure of government's efforts to revive the economy and accelerate growth. It was evident that the economy required major policy changes and substantial investments if growth was to be revived. While the decline in mining production and exports was not foreseen, it was also clear that the decline was beyond government control. There was little likelihood of significant expansion in exports of the major commodities, or the development of new ones. The decline contributed to the continued contraction of the major sources of domestic revenues, and so to reduction in expenditure, as structural adjustment policy interpreted the crisis as fiscal deficit. The crisis was aggravated by the unavailability of direct donor intervention. With continued decline in per capita income, it was hardly realistic to expect an increased savings rate in a low-income economy when living standards fell. At the same time, the economy continued to suffer severe foreign exchange constraints, while the government's capacity to invest declined.

(b) The 1990s

With the commencement of the war, the government's reform agenda under the shadow programme was seriously interrupted by diversion of attention to war-related challenges including war financing. Notwithstanding, the government had to continue with efforts to re-establish normal relations with external donors and creditors. In this respect, the government adopted a Rights Accumulation Programme (RAP) with the IMF in 1992. The World Bank extended a quick disbursing Reconstruction Import Credit in the same year, followed by a Structural Adjustment Credit in 1993, and sector-related assistance. These programmes resulted in stabilisation gains, laid the foundation for major structural reforms, and renewed support from other bilateral and multilateral donors, including the African Development Bank, European Union, British Overseas Development Administration, and the Commonwealth. Upon completion of the RAP, Sierra Leone adopted a three-Year Enhanced Structural Adjustment Facility arrangement with the IMF in March 1994. In addition to sound macroeconomic policies, structural reforms were implemented including improvements in fiscal management through strengthening of revenue collection and expenditure control; trade and exchange rate liberalisation; and public enterprise, civil service and financial sector reforms.

However, in early 1995, fighting escalated between the government and rebel forces. The rebels overran the rutile and bauxite mines in January 1995, which at the time accounted for nearly 70 percent of Sierra Leone's official exports and 17 percent of government revenue. The spread of rebel attacks outside the eastern and southern provinces led to a further large displacement of the population, loss in agricultural and diamond mining output, and disruption to major transport links. The heightening of the conflict was also a setback to macroeconomic stability.

The temporary ceasefire in November 1996 paved the way for the Resettlement, Rehabilitation and Reconstruction, and Demobilisation, Disarmament and Reintegration programmes to be implemented over the medium and long term. Donor resources for a Quick Action Programme (QUAP) to support the two initiatives were pledged at a Round Table meeting in September 1996 and a Consultative Group (CG) meeting in March 1997. The QUAP sought to reintegrate persons displaced by the war into economically productive roles, reconstruct basic social and economic infrastructures, and demobilise ex-combatants. Next, the government adopted a medium-term adjustment programme, whose policies and objectives were set out in a Policy Framework Paper for 1996-1999.

Policy execution was generally good at this time and there was marked progress in stabilising the economy. Prospects for rapid economic recovery were bolstered by the peaceful parliamentary and presidential elections held in February and March 1996; the new government's commitment to macroeconomic stability and structural reform; and more significantly, strong donor support. The policies aimed at ensuring a successful post-conflict reconstruction and an uninterrupted transition from humanitarian relief and emergency assistance to sustainable growth and poverty eradication.

(c) The Post-Conflict Period

With the signing of the Lome Peace Accord in July 1999, Government adopted more comprehensive economic recovery programmes, supported by the IMF (Emergency Post Conflict Assistance Facility) and the World Bank (Economic Recovery and Rehabilitation Credit). The European Union and UK-DFID also supported the government's economic recovery programme. The programme aimed at re-establishing macroeconomic stability, rehabilitating the economic and social infrastructure and rebuilding capacity for policy formulation and implementation.

The immediate attention for the government in the post-conflict era was the compelling need to mainstream major post-conflict challenges in its policies and strategies. These included conflict resolution; restoration of security, democracy and good governance; safety nets for war victims and ex-combatants; and rebuilding the economy and the physical infrastructures that would lay the foundation for achieving sustainable growth and poverty reduction.

Continued improvements in the security situation strengthened confidence and led to further support programmes from all donors. In September 2001, the IMF approved Sierra Leone's Interim Poverty Reduction Strategy Paper (IPRSP) and simultaneously agreed the first three-year programme under the Poverty Reduction and Growth Facility (PRGF). The overall objective of the programme was to address the desperate poverty situation in a more

comprehensive manner and to enhance the growth prospects of the economy. The PRGF has supported the immediate post-conflict years and ends in June 2005. Sierra Leone attained the Decision Point under the enhanced heavily indebted poor countries (HIPC) initiative in March 2002 and began to receive HIPC relief in that same year. The World Bank, the African Development Bank, DFID, UK, the European Union, the Islamic Development Bank and other development partners agreed programmes in support of strategic sectors including governance, security, agriculture, health, capacity building and public financial management. Reforms in these important areas are detailed in appropriate sections of the PRSP.

4.2.2 Financial Sector Reforms

Sierra Leone's financial sector is dominated by the banking sector, consisting of the Bank of Sierra Leone (BSL) at the apex, 7 Commercial Banks, and 4 Community Banks. During the war, the commercial banks' network of branches across the country was substantially affected as many branches were either burnt down or severely looted. The number of branches currently stands at 34 following reconstruction work; these are mainly located in Freetown and the provincial headquarter towns. There are also other financial institutions such as the National Development Bank, National Co-operative Development Bank, Post Office Savings Bank, Sierra Leone Housing Corporation, Finance and Trust Corporation, First Discount House Limited, Home Finance Company, 44 Foreign Exchange Bureaus and 8 Insurance Companies. Excepting the discount house, insurance companies and foreign exchange bureaus, the rest of these institutions are largely dysfunctional in terms of providing meaningful financial intermediation services. The community banks, which have replaced the now defunct rural banks, have the important role of providing more concessional financial services to local communities than do the commercial banks. These pilot banks are expected to empower communities to own and manage their development process, to broaden the financial system, and to provide an institutional anchor to the Government's micro-finance programme.

Diagnostic studies of the financial sector in 1994 and subsequent assessments identified both systemic and institutional inefficiencies in the financial sectors. These have contributed to the high cost of financial intermediation and limited the availability of financing for productive investment, especially for small and medium-size enterprises. Legislative and other structural inadequacies also handicap the financial sector. These inadequacies include: a high volume of non-performing loans; inadequate judicial procedures for loan recovery; inadequate credit risk evaluation mechanisms for bank clients; and high intermediation costs. They have been aggravated by the protracted period of civil strife, and by the system's generally limited outreach facilities.

To address these problems, the Bank of Sierra Leone and Banking Acts were revised in 2000 to provide a sound legal framework for the banking system consistent with a more independent central bank and effective banking supervision. New banking regulations were issued to the commercial banks, requiring increased capital, reporting comparable with international standards, and actions to make the institutions more robust. The BSL is now better placed to pick up early warning signals of weaknesses in financial institutions; because of this, commercial banks were able to survive the devastating events of 1997 and 1998. The regulatory and supervisory role was extended to other financial institutions, which led to the

enactment of the Other Financial Services Act in 2001. One fundamental intermediation gap that requires urgent attention, in the context of providing appropriate financing for the PRSP, is the lack of medium- to long-term lending facilities by commercial banks in particular.

4.2.3 Structural Reforms

The dramatic decline of the economy, the aftermath of the civil war, and the perceived widespread corruption in state institutions, also forced a number of structural issues to receive priority in Sierra Leone's reform programme. The major ones were: (a) the fiscal dimensions and social impact of the reforms; (b) raising productivity and accountability; (c) expansion of the role of the private sector in investment, production and employment; and (d) administrative capabilities for implementing the programme measures and policies. Most of these reforms were envisioned during the 1990s and the early years of post-conflict reconstruction. They were largely aimed at strengthening financial and economic management, building capacity in the civil service and improving service delivery.

Significant progress has been made in structural reforms, with donor support. Among these reforms are the following:

- The budget is now presented in the form of a medium-term expenditure framework;
- A National Commission for Privatisation was established to implement the divestiture programme;
- The National Revenue Authority was set up to improve domestic revenue generation and tax and non-tax administration, with a view to reducing over time the current heavy dependence on donor assistance;
- Public procurement reform has been underpinned by a new Public Procurement Act 2004;
- Reviews of line ministries' human resources and functions have been undertaken;
- Local government has been restored aimed at decentralising service delivery;
- Judicial and legal reforms are improving the justice system;
- The security system has been significantly restructured;
- An Anti-money Laundering Act has been enacted;
- Most of the key government institutions are receiving capacity building support;
- The investment climate has been substantially deregulated to boost investment and private sector development;
- An Investment Code has been legislated.

As indicated earlier, aspects of these structural reforms will be covered in other parts of this PRSP. The reforms so far have helped in kick-starting the more comprehensive requirements of the PRSP implementation, including introducing accountable and transparent public procurement and service delivery systems, and a level playing field for private investment.

4.3 Medium Term Economic and Financial Strategy, 2005-2007

In the context of implementing a poverty reduction strategy, the government is assuming growing responsibility for consolidating peace, security and good governance, while

decentralizing public administration and related services to local authorities. Government is fully aware of the critical importance of sustaining high real growth, maintaining a stable macroeconomic and financial environment, and, above all, reducing poverty. This section describes the medium-term macro-economic focus and growth prospects envisaged to achieve the broad objectives of the PRSP. Selected economic and financial indicators, 2001-05, are shown in Table 4.2.

4.3.1 Medium Term Framework for Economic Growth and Stability

The analysis in this section reflects the policy environment in the 3-year PRGF Arrangement with the IMF, of which there have been five successful reviews, the most recent being in November 2004. The sixth review in 2005 and ex-post assessment will determine the main elements of a successor PRGF Arrangement. Meanwhile, real annual GDP growth is projected to be between 6 and 9 percent during 2005 to 2007. The growth is expected to come from putting into use under-utilised capacity in the agricultural and mining sectors; an expansion in manufacturing and services sectors, and higher public investment in infrastructure projects. Growth will also be underpinned by the expected substantial increases in agricultural production as the food security programmes take hold; and increases in both domestic private and public investment, accompanied by higher domestic savings, including from the large Sierra Leonean expatriate community.

Price stability will be maintained so that the country will benefit from a stable performance, a competitive exchange rate and lower nominal interest rates. In this regard, the medium-term framework seeks to contain the annual percentage rate of inflation to a single digit, through the pursuit of prudent fiscal and monetary policies. Hence, the economy is expected to sustain steady growth with price stability.

The current account deficit, excluding official transfers, is expected to narrow from 13.6 percent of GDP in 2005 to 7.8 percent of GDP in 2007 following the expected resumption of rutile and bauxite exports and the gradual reduction of reconstruction imports. Gross foreign reserves of the BSL are programmed to rise to the equivalent of at least 3 months of import cover by 2007.

To achieve these objectives, the Government will seek to further reduce the budget deficit and money supply growth, while maintaining a flexible exchange rate regime and a liberal exchange and trade system. Structural impediments to greater factor mobility and improved resource allocation will be removed, particularly in the mining and fisheries sectors, and implementation of civil service and public enterprise reforms will continue. External trade policies will be directed toward bringing about greater export diversification to help Sierra Leone better exploit its comparative advantage in international trade. The BSL will build up a comfortable cushion of foreign exchange reserves so that adverse external shocks can be absorbed without subjecting the economy to downturns. Financial intermediation will be strengthened further by the establishment of a stock exchange market and a venture capital fund.

4.3.2 Fiscal Policy Framework

Sound fiscal policy lies at the core of the Government's economic reform efforts. The maintenance of strict fiscal discipline will continue to be a prime focus of fiscal policy during the implementation of the PRSP, while keeping overall expenditures consistent with price stability and overall external balance. In this regard, Government's fiscal policy will continue to be driven by measures to rationalize the tax system and strengthen control over spending. Given good prospects to achieve the fiscal objectives for 2004, the fiscal framework for 2005-2007 will consolidate the gains already achieved in macroeconomic stability.

Fiscal policy will seek to enhance revenue and improve expenditure management and control systems, and phase out bank financing of the budget deficit. Fiscal policy will thus contribute to macroeconomic stability while re-orienting public expenditures in favour of security, social services, infrastructure and economic activities. This in turn will help create an attractive climate for investment, facilitate job creation and improve the quality of life.

The requirements for reconstruction, poverty reduction and improved services will result in high Government expenditures in 2005 of about 27.6 percent of GDP. In 2006 and 2007, total expenditure and net lending are projected at 25.8 percent and 21.4 percent of GDP, respectively. Development expenditure will be increased, as a significant amount of resources will be allocated for the development of new infrastructure and maintenance and rehabilitation of existing infrastructure. Non-military current spending is also expected to rise significantly, owing to peacetime savings.

The overall budget deficit, excluding grants is projected to decline from 14.6 percent of GDP in 2005 to 11.2 percent of GDP in 2006 and 5.7 percent in 2007. Bank financing of the deficit will be limited to around one percent of GDP in 2005 and eliminated in 2006-07, thus reducing the risk of inflationary financing and the consequent price instability. In the past, the deficit was financed from a combination of external and domestic sources including a substantial accumulation of arrears to suppliers, amounting to 3 percent of GDP in 2000. Better budget and expenditure management would reduce the incidence of arrears accumulation as revenue generation is significantly improved.

However, as the UN and bilateral assistance for defence and security phases out, the Government will have to assume a greater share of the cost of defence and security outlays, putting increased pressure on domestic resources. This increased responsibility would not allow the Government to maintain real growth in spending on social safety nets that target the most vulnerable groups in society without continued donor support. Hence, as the domestic resource base remains limited and fragile over the medium-term, to avoid the negative consequences of central bank financing, Government will continue to seek substantial increase in international assistance, beyond HIPC relief, to finance the budget deficits.

4.3.3 Domestic Revenue Mobilisation

Domestic revenue performance has been impressive in the post-conflict period, largely on account of rising urban activity and rapid import growth. The fiscal framework reflects steady

progress in the revenue effort, rising from 12.4 percent of GDP in 2004 to 13.0 percent, 14.6 percent and 15.7 percent in 2005, 2006 and 2007 respectively. Government will intensify efforts to strengthen tax administration by providing the revenue collecting agencies with the requisite logistics and appropriate incentives to enhance their capacity in tackling issues of tax evasion and avoidance. The Revenue Authority (NRA) will seek technical assistance for training tax auditors to deal with the audit of companies without adequate records. The NRA is actively considering the introduction of Taxpayer Identification Numbers (TINS): it will establish a task force to design the programme, and to develop procedures for registering taxpayers, and for assigning and using TINS.

The Customs Department will adopt a work plan to introduce the WTO valuation rules, including a study of the revenue implications, legislative and training needs, and detailed valuation instructions. Customs valuation procedures will be reviewed and the Automated System for Customs Data Management (ASYCUDA) will be established at the Customs Department to facilitate the speedy processing of customs declarations.

The Government will align its tariff rates with those of the ECOWAS Common External Tariff (CET), using a phased approach to allow for a broadening of the tax base and to offset the revenue loss resulting from tariff harmonisation. Efforts will be intensified to minimise revenue leakages. Losses from the rate reductions are expected to be compensated by higher non-tax revenues, revised presumptive income tax standard assessments, the elimination of selected exemptions and concessions, and increased efficiency in tax administration.

By the end of 2007, Government will introduce the Value-Added Tax (VAT). As a step towards implementing VAT, Government will broaden the base of the sales tax by selectively taxing a wide range of services, including professional services, electricity, water, and domestic telecommunications. In the medium-term, Government will incorporate expected revenue streams from the mining sector by preparing medium-term revenue forecasts for each major mining company project using a model that incorporates the fiscal regime specific to each project. The revenue forecast will be based on the latest available information on production, price, and cost discounted by a percentage to reflect the considerable downside risks to all mineral projects. The discounted revenue forecast would be incorporated into the medium-term revenue framework used for the budget.

4.3.4 Monetary and Financial Policies

Monetary and financial policies in the medium-term will continue to aim at subduing inflation and maintaining positive real interest rates in order to promote domestic savings and ensure efficient allocation of financial resources. Up to 2003, the BSL's main instrument of monetary policy was through operations in the primary market for government securities. Reserve and liquidity ratios were mainly used for prudential controls; with the small size of the financial market and the high liquidity of the commercial banks there was very little activity in the secondary market. The BSL had relatively good success in meeting the monetary targets within the Fund-supported programmes. Lately, with a reduction in external budgetary support, central bank credit to the Government has been on the increase. At the same time, there has been a rapid expansion of credit to the private sector in support of higher economic

activity, especially in productive sectors like construction, manufacturing and services. The corresponding increase in the money supply, the depreciating exchange rate, and higher inflation, now pose a real challenge for the BSL in the short and medium term.

Within the current macro economic programme, broad money is projected to expand on average by 14 percent over the next 3 years to 2007. The BSL is expected to manage its net domestic assets to achieve these targets whilst at the same time ensuring that sufficient credit of a more longer term nature is available to the private sector to support economic recovery and job creation.

To further improve the effectiveness of monetary policy, the BSL will continue to adjust the statutory reserve requirements of the commercial banks to control the excess liquidity in the system. This requirement will be extended to foreign currency deposits. It will also seek to make the open market operations more effective by introducing a wide range of securities and strengthen its monetary operations. In this respect, securities repurchase agreements (repos) and a dematerialised form of government securities will be introduced in the medium-term. Together with the development of an electronic book entry system, these actions will deepen the money market, enhance secondary market trading and provide greater flexibility for the BSL in its monetary policy operations.

In conducting monetary policy using market-based indirect monetary controls, the BSL could only maintain control over liquidity in the economy and achieve its stated objectives with a sound liquidity-forecasting framework. It will develop such a framework, which will, among other things, enable it to identify determinants of short-run fluctuations in liquidity demand, limit financial market volatility, and determine the quantum of liquidity to inject or withdraw from the system, consistent with overall macroeconomic objectives. A proper understanding of the channels through which monetary policy impulses are transmitted through the economy to impact on the ultimate objectives of inflation and economic growth, and the duration of impact, is germane to its effective conduct. Accordingly, the BSL will determine the transmission mechanism of monetary policy in the country. In addition, it will investigate the relationship between broad money and reserve money, and its respective intermediate and operational monetary targets, within the current monetary policy framework.

Development of an efficient payments system to foster monetary policy operations will continue to receive the attention of the central bank in the short and medium term. The BSL will pursue modernisation of the national payments system by developing a framework and strategy for a payments system; in doing so it will conduct a comprehensive review of legislation, rules, regulations and procedures in support of the system. Appropriate bills and acts, aimed at ensuring efficiency of the payments system, will be enacted. Furthermore, modernisation of the payments system will include the introduction of an electronic clearing house to expedite the settlement of cheque payments, with a long-term objective of a real-time gross settlement system being introduced. Payments system workshops will be organised to sensitise all stakeholders on the broad requirements of the reform and modernisation programme. These reforms will be undertaken within the framework of the proposed harmonisation of national payments systems in the West African Monetary Zone.

4.4 The Financial Sector and Poverty Reduction

The major limitation of the financial sector is its thinness relative to the rising demand for its services nationwide. In addition, financial services are still very basic and rudimentary as the institutions adopt what is evidently a wait-and-see approach to service delivery. The main financial sector institutional challenges facing the country in the post-conflict period, and for driving growth and poverty reduction, include: (a) expanding rural financial institutions and improving rural credit; (b) improving competition and efficiency, as most banks and non-bank financial institutions operate exclusively in the capital city and a few district headquarter towns, investing mainly in government debt instruments; (c) and building public confidence, especially in the light of the present limited diversification of financial services.

In the medium term, financial sector reforms will be geared towards ensuring a competitive and efficient financial sector to support development of the private sector. In this regard, the BSL will seek to intensify the supervision and regulation of commercial banks and non-bank financial institutions, and to strengthen prudential controls. It will also seek to improve the credit risk assessment capacity of commercial banks and will explore the possibility of setting up a credit bureau to improve the flow of information on current and potential bank customers. In order to facilitate medium and long term lending and borrowing transactions in money and money-denominated instruments, and subsequently to enhance development of both the private and public sectors, the BSL is supporting the establishment of a stock exchange which will also assist Government's privatisation efforts. At the same time it will put in place institutional measures to regulate capital market activities. BSL is supporting review of existing legislation, and the enactment of new legislation, such as the Companies, Bankruptcy and Anti-Money Laundering Acts, as well as the setting up of a commercial court. It will continue to spearhead the establishment of community banks throughout the country, to promote financial intermediation and spur savings and investment in rural areas

4.5 External Sector Policies and Poverty Reduction

The Government will continue to maintain a market-determined exchange rate regime based on BSL's weekly foreign exchange auctions. The Bank's foreign exchange objectives will also be achieved through the auction.

On trade policy, Government will continue to maintain a liberalised trade system to promote and diversify exports. Within the framework of regional economic integration under ECOWAS and the West African Monetary Zone (WAMZ), Government will restructure its import tariffs consistent with the ECOWAS Common External Tariff (CET) and the ECOWAS Trade Liberalisation Scheme for goods locally produced within the sub-region. In order to boost official receipts from diamond exports, Government will step up efforts to increase participation in the UN-sponsored diamond certification scheme. The resumption of bauxite and rutile mining is crucial to increasing Sierra Leone's export capacity. Imports will, however, increase substantially in the medium term due to the large requirements for reconstruction and rehabilitation. As indicated elsewhere in this Paper, Government is also committed to do everything possible to fully exploit the gains to be provided under the Doha Round, the US

African Growth Opportunity Act, the EU Everything-but-Arms (EBA) international initiative, and above all, the New Partnership for Africa's Development (NEPAD).

4.6 Debt Sustainability and Debt Management

4.6.1 External Debt Burden

Sierra Leone's total public and publicly guaranteed external debt stock stood at US\$1,630.4 million as at the end of December 2003, compared to US\$1.2 billion and US\$1.4 billion as at end of 2000 and 2002 respectively. Multilateral creditors accounted for about 59%, bilateral 27% and the residual balance due to commercial creditors. The total stock of debt continued to be dominated by debts owed to multilateral creditors (US\$945.9 million) and bilateral creditors (US\$434.7 million), accounting for 58 percent and 27 percent, respectively. Other debts like military (US\$19.8 million) accounted for 1.2 percent whilst the residual (US\$230.0 million) or 14.1 percent was owed to commercial creditors. As at end-June 2004, total identified and verified external commercial and short-term debts stood at US\$229.9 million. A number of these commercial creditors are resistant to delivering debt relief under the HIPC Initiative and have taken or threatened to take legal action against the Government to secure full payment.

4.6.2 Domestic Debt Burden

Domestic debt has gained prominence in post-conflict Sierra Leone both in terms of its growing size and its management. There are three categories of domestic debt:

- Debt instruments for domestic financing of the budget, constituting 91-day treasury bills, 12-month treasury bearer bonds, and central bank advances;
- Arrears owed to domestic suppliers – contractors, private enterprises; and
- Outstanding bills owed to the utility companies by government ministries, departments and other agencies.

The total stock of domestic debt in the form of government securities has risen gradually in the post-conflict years, reflecting increased borrowing by government in light of the narrow revenue base, and the high cost of borrowing through high interest rates.

Table 4.2: Sierra Leone: Selected Economic and Financial Indicators, 2001-05

| | 2001 | 2002 | 2003 | 2004 | | 2005 | 2006 | 2007 |
|--|--------|----------|----------|-----------|-----------|------------|------------|------------|
| Annual percentage change, unless otherwise indicated | Actual | Estimate | Estimate | Programme | Projected | Rev. Proj. | Rev. Proj. | Rev. Proj. |
| Income and expenditure | | | | | | | | |
| Real GDP | 18.5 | 26.8 | 9.4 | 6.8 | 7.2 | 7.0 | 6.8 | 6.6 |
| GDP deflator | 1.5 | -3.1 | 7.4 | 4.6 | 13.2 | 4.4 | 3.1 | 3.3 |
| Nominal GDP | 20.3 | 22.8 | 17.5 | 11.7 | 21.3 | 11.7 | 10.1 | 10.1 |
| Consumer prices (end of period) | 3.4 | -1.0 | 11.3 | 4.0 | 10.6 | 3.5 | 3.5 | 3.5 |
| Consumer prices (annual average) | -3.1 | -3.1 | 8.2 | 4.8 | 12.4 | 4.7 | 3.5 | 3.5 |
| Money and credit | | | | | | | | |
| Broad money (including foreign currency deposits) | 33.7 | 30.1 | 23.9 | 10.8 | 17.0 | 15.1 | 13.3 | 14.2 |
| Broad money (excluding foreign currency deposits) | 30.8 | 32.0 | 22.9 | 10.8 | 15.3 | 15.1 | 13.3 | 14.2 |
| Velocity (level; excluding foreign currency deposits) | 6.5 | 6.1 | 5.8 | 5.3 | 6.1 | 5.9 | 5.8 | 5.6 |
| Velocity (level; including foreign currency deposits) | | 5.2 | 4.9 | 4.4 | 5.1 | 5.0 | 4.8 | 4.6 |
| Domestic credit | 22.5 | 7.9 | 40.6 | 3.0 | 6.4 | 7.5 | 3.0 | 1.3 |
| Government | 19.4 | 0.2 | 19.5 | 0.3 | 1.1 | 3.5 | -0.3 | -0.9 |
| Private sector | 3.2 | 7.5 | 20.1 | 2.6 | 5.3 | 4.0 | 3.2 | 2.2 |
| (annual percentage change) | 24.6 | 62.3 | 64.5 | 15.4 | 26.4 | 18.4 | 14.6 | 9.8 |
| Reserve money | 29.4 | 24.9 | 22.4 | 12.8 | 11.9 | 11.9 | 11.0 | 12.2 |
| Interest rate | 14.7 | 15.0 | 20.2 | ... | 27.0 | 14.7 | 13.5 | 13.5 |
| External sector | | | | | | | | |
| Exports (U.S. dollars) | 2.9 | 34.4 | 36.4 | 18.5 | 32.3 | 33.3 | 23.7 | 8.4 |
| Imports (U.S. dollars) | 19.5 | 39.1 | 14.9 | 13.2 | 23.0 | 4.6 | 6.5 | 7.7 |
| Terms of trade (- deterioration) | 1.7 | 0 | -0.1 | 0.5 | -2.0 | 0.9 | 1.2 | 0.6 |
| Real effective exchange rate (- depreciation; end of period) | -15.3 | -9.7 | -17.2 | ... | ... | ... | ... | ... |
| (In percent of GDP) | | | | | | | | |
| Gross domestic investment | 6.1 | 13.2 | 21.5 | 24.2 | 22.9 | 22.8 | 22.7 | 22.8 |
| Gross national saving | -2.2 | 3.1 | 9.6 | 11.1 | 8.4 | 12.7 | 14.8 | 15.0 |
| Current account balance, including official transfers | -8.3 | -10.1 | -11.9 | -13.1 | -14.5 | -10.1 | -7.9 | -7.8 |
| Current account balance, excluding official transfers | -17.9 | -25.6 | -26.8 | -25.2 | -29.5 | -23.6 | -19.0 | -18.2 |
| Goods and non factor services (net) | -17.2 | -22.6 | -24.0 | -23.3 | -26.8 | -20.2 | -15.5 | -15.1 |
| Unrequited private transfers and factor services (net) | -2.0 | -3.0 | -2.8 | -2.1 | -2.7 | -3.4 | -3.5 | -3.0 |
| Overall balance of payments | 0.2 | -0.4 | -5.7 | -3.8 | -2.7 | -5.6 | -3.5 | -1.3 |
| Government domestic revenue | 13.0 | 12.1 | 12.4 | 12.9 | 12.7 | 13.1 | 14.6 | 15.7 |
| Total expenditure and net lending | 29.5 | 28.6 | 26.9 | 29.1 | 27.5 | 26.5 | 26.9 | 27.0 |
| <i>Of which: current expenditure</i> | 24.8 | 24.2 | 22.1 | 20.9 | 21.4 | 20.0 | 19.5 | 19.1 |

(continued on next page)

Table 4.2: Sierra Leone: Selected Economic and Financial Indicators, 2001-05 (continued)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | |
|--|---------|----------|----------|-----------------|-----------|------------|------------|------------|
| (In percent of GDP) | Actual | Estimate | Estimate | Programme 1/ | Projected | Rev. Proj. | Rev. Proj. | Rev. Proj. |
| Overall fiscal balance | | | | | | | | |
| (commitment basis, excluding grants) | -16.5 | -16.5 | -14.5 | -16.2 | -14.8 | -13.5 | -12.3 | -11.2 |
| (commitment basis, including grants) | -10.6 | -8.3 | -6.7 | -6.0 | -6.2 | -5.1 | -4.3 | -3.2 |
| Domestic primary fiscal balance | -7.7 | -7 | -5.6 | -5.3 | -3.9 | -3.1 | -2.8 | -2.3 |
| Domestic primary fiscal balance (excl. HIPC) | 0.3 | 0.3 | ... | ... | ... | ... | ... | ... |
| Domestic financing | 3.2 | 0.9 | 4.3 | 0.9 | 1.4 | 0.8 | 0.3 | -0.3 |
| Domestic financing (excluding HIPC resource use) | 2.2 | 2.8 | 6.9 | ... | ... | ... | ... | ... |
| (In percent of exports of goods and non factor services) | | | | | | | | |
| Debt service due (incl. to the Fund) after debt relief | 82.1 | 14.7 | 10.3 | 11.1 | 10.7 | 5.4 | 2.2 | 3 |
| Debt service due (incl. to the Fund) before debt relief | 96.6 | 56.6 | 51.9 | 42.8 | 40.1 | 27.2 | 18.6 | 20.4 |
| Net present value of debt-to-exports ratio | | | | | | | 96.0 | 95.3 |
| Net present value of debt-to-exports ratio | | | | | | | 96.0 | 95.3 |
| (In millions of U.S. dollars, unless otherwise indicated) | | | | | | | | |
| Memorandum items: | | | | | | | | |
| External current account balance, excluding official transfers | -143.8 | -200.5 | -214.3 | -249.8 | -239.9 | -208.4 | -182.6 | -190.6 |
| Gross international reserves | 51.9 | 84.6 | 59.6 | 93.5 | 87.7 | 107.7 | 137.7 | 177.7 |
| (in months of imports) | 1.8 | 2.5 | 1.5 | 2.3 | 2 | 2.3 | 2.8 | 3.5 |
| GDP (billions of Leones) | 1,600.2 | 1,965.6 | 2,310.5 | 2,581.1 | 2,803.0 | 3,130.7 | 3,446.8 | 3,794.7 |
| GDP (millions of U.S. dollars) | 805.6 | 936.4 | 984.1 | 992.7 | 1,024.9 | 1,128.0 | 1,225.3 | 1,331.7 |

Sources: National and IMF staff estimates and projections.

The BSL manages the instruments through open market operations via a weekly and monthly auction system for Treasury Bills and Treasury Bearer Bonds respectively. As the country restores sustainable peace, the demand for Government services has increased immensely against the background of narrow revenue base and substantial shortfall in donor budgetary support. In the last two to three years, domestic interest payments accounted for about one-third of domestic revenue or more than double external payments, almost equalling total income tax collection. This depicts a serious macroeconomic imbalance, which requires deliberate policy measures and effective debt management to reverse the trend.

In this immediate post-conflict period, Government has also been confronted with huge payments of arrears owed to domestic suppliers and contractors in respect of goods and services supplied to Ministries, Departments and Agencies (MDA) as far back as the 1980s. The total amount involved was equivalent to about US\$20.0 million in 2002. To address this situation, Government adopted a scheme to buy the debts at various discounts ranging from 30

to 45 percent of eligible and verified claims. So far, all eligible and verified debts have been fully settled except for one large creditor whose claims are still subject to verification.

Regarding utility arrears, government owed arrears to state-owned enterprises in respect of telephone bills, water rates and electricity. Some of these enterprises had tax and custom duty liabilities. Accordingly, Government adopted what was known as “cross-debt settlement”. The arrangement sets-off all central Government MDA utility arrears against corporate tax and customs duty arrears owed by the utility companies. The cross-liability settlement between Government and the electricity company (NPA) has been fully settled and there are ongoing cross-amortisation plans with both the water and telephone companies. Although there are measures in place to avoid the re-accumulation of such bills, the cross-amortisation plans are constrained by the difficult budgetary situations.

4.6.3 Debt Sustainability Analysis

On the basis of Debt Sustainability Analysis (DSA) conducted by the Government and the World Bank in 2001, Sierra Leone’s external debt, which stood at US\$1,237 million in December 2000, would appear to be sustainable during 2005 to 2007 after the unconditional delivery of the enhanced HIPC assistance. The NPV of debt to exports was estimated at 134.9 in 2005 and 129.1 in 2007. The NPV of debt to revenue ratio was estimated at 161.9 in 2005 and 159.4 in 2007. However, the NPV of total debt to exports after unconditional HIPC relief delivery is likely to remain above the established threshold of 150 because of the expected new high borrowing during the period to finance economic reconstruction programmes. The situation is worsened by the slower than expected recovery in exports. Since the domestic debt burden is excluded, however, the present DSA is considered partial and would not give a comprehensive analysis of Sierra Leone’s total debt burden.

4.6.4 Computerised Debt Management System

Debt management functions are conducted by the Ministry of Finance and the Bank of Sierra Leone. The institutional capacity, like in other areas of the economy, was severely weakened during the 11-year conflict. Prior to the peak of the conflict in mid 1990s, Sierra Leone had a well-computerised and operational external debt database using the world-leading Commonwealth Secretariat Debt Recording and Management System, as well as trained staff. During the conflict, the institutional capacity was virtually destroyed, particularly by the rebel incursions into Freetown in May 1997 and January 1999, which burnt down the Treasury Building which housed the Ministry of Finance. Notwithstanding these setbacks, Government, with donor support, has again taken significant steps to restore the debt management system consistent with best practices. The external debt database has been computerised, and reconciled with creditors’ records.

4.6.5 External Debt Restructuring

Sierra Leone has concluded eight rounds of debt restructuring arrangements with the Paris Club creditors. The eighth, on the “Cologne terms”, was an amendment to the seventh round of the negotiations (i.e. topping-up the Naples terms), which was concluded in 2001 under the

PRGF arrangement. In total, about US\$180 million was restructured under the Naples terms in 2001. Much of the debt was cancelled by some creditors as Sierra Leone reached the decision point under the enhanced HIPC Initiative in 2002. Government has also restructured its debts owed to non-Paris Club bilateral and some commercial creditors. But most of the commercial creditors have still to deliver comparable Paris Club terms on the outstanding debt owed them. Some of the creditors have instituted or threatened to pursue legal action to recover long outstanding debt.

In the medium-term and beyond, Government's key objective is to completely eliminate the external debt overhang and its associated debt service burden, which crowds-out private investment as well as public expenditures in the social sector, by reaching the Completion Point under the enhanced HIPC Initiative. Government expects all creditors to deliver their share of total relief and is committed to utilising all debt relief as additional resources to finance critical poverty reduction activities. However, Government is experiencing serious difficulties in persuading commercial creditors to contribute to HIPC debt relief. The Government is committed to targeting new grants and highly concessional loans to support the PRSP.

To prevent further accumulation of domestic arrears, Government introduced a Commitment Controlled System (CCS) in 1998 which blocks budgetary allocations and guarantees payments once a supplier delivers its goods or services. Given the full implementation of the domestic debt buy-back scheme, Government will continue to implement the CCS to avoid further build-up of arrears. It will also continue to strengthen debt management capacity by enacting legislation covering both domestic and external debt borrowing to reflect current best practices, as well as the application of appropriate information technology, and training of debt management personnel.

4.7 Poverty and Economic Growth

4.7.1 Economic Growth as a Necessary Condition for Poverty Reduction

On the basis of various country experiences, there are three stylised facts about the growth-poverty relationship, which are relevant to the situation in Sierra Leone. Firstly, in most cases, economic growth is accompanied by increases in the income of the poor. Secondly, there is a positive statistical relationship between economic growth and poverty reduction. Statistically, a 1 percent increase in average real incomes is associated with a 2 percent decline in poverty incidence. The corresponding decline when using average real household consumption is 1.7 percent. Thirdly, economic growth explains only part of the reduction in poverty. When using real GDP per capita, economic growth explains about 35 percent of inter-country variation in the incidence of poverty. The corresponding figure when using average real household consumption is 50 percent. Therefore while economic growth is necessary, it is an insufficient condition for poverty reduction.

Poverty is a multidimensional problem that goes beyond economics: it has, among other elements, social, political, and cultural aspects. However, with the low level of output, widespread poverty in Sierra Leone is the inevitable result of low productivity, and therefore

stems from the country's low level of development. This is not to say that economic growth inevitably leads to the eradication of poverty. Experience has shown that it is possible to achieve growth without a commensurate reduction in poverty. Even in very rich countries pockets of poverty persist. However, although growth alone is not sufficient to reduce poverty, for a country at Sierra Leone's very low average income level and classified as one of the poorest countries in the world, the focus on macroeconomic issues for poverty reduction is essential because economic growth is a necessary condition for poverty eradication.

Table 4.3: Income Elasticities of Poverty Incidence (2004)

| Year | Mean Per Capita Income (Le) | Poverty Incidence (Headcount) | | | Gap Index (Depth of Poverty) | | | Squared Gap Index (Severity of Poverty) | | |
|-----------------|-----------------------------|-------------------------------|--|---------------------------------------|------------------------------|--|---------------------------------------|---|--|---------------------------------------|
| | | Incidence | Elasticity with respect to mean Income | Elasticity with respect to Gini Index | Incidence | Elasticity with respect to mean Income | Elasticity with respect to Gini Index | Incidence | Elasticity with respect to mean Income | Elasticity with respect to Gini Index |
| National | 721,238 | 70.5 | -0.8 | 0.5 | 30.0 | -1.4 | 0.9 | 15.9 | -1.8 | 1.8 |
| Urban | 930,062 | 54.0 | -1.1 | 0.2 | 20.4 | -1.6 | 1.6 | 10.0 | -2.1 | 2.9 |
| Rural | 605,811 | 79.9 | -0.6 | -0.1 | 35.4 | -1.3 | 0.5 | 19.2 | -1.7 | 1.2 |

Source: SLIHS, 04

Table 4.4: Minimum growth rates in national income needed for the number of the poor not to increase, under distributionally neutral growth

| | Minimum Target Growth ³ Rate under Standard Population Growth (percent) | | | | | |
|------------------------|--|-----|-----|-----|-----|------|
| Population growth rate | 2.0 | 2.1 | 2.5 | 3.0 | 3.5 | 4.0 |
| National | 4.5 | 4.7 | 5.6 | 6.8 | 7.9 | 9.0 |
| Urban | 3.8 | 4.0 | 4.8 | 5.7 | 6.7 | 7.6 |
| Rural | 5.4 | 5.6 | 6.7 | 8.0 | 9.4 | 10.7 |

Source: SLIHS, 04

4.7.2 Growth and Poverty Simulations

Based on data obtained from the Sierra Leone Integrated Household Survey (SLIHS), the government, with technical assistance from the World Bank, calculated the elasticity of poverty with respect to economic growth (distribution-neutral growth). The analysis (Table 4.3) shows that a 1 percent increase in income will reduce the incidence of poverty by 0.8 percent. It also shows that the poverty-growth elasticity is higher in the urban areas (-1.1) than the rural areas (-0.6), meaning that economic growth would have greater impact in reducing urban poverty. The poverty head count elasticity with respect to the Gini Index is 0.1, which means that a one point reduction in the Gini Coefficient will reduce the poverty head count by 0.1 percent.

³ Actual growth rates refer to compound growth of real GNP. The minimum growth rate is based on the assumption that the share of national income consumed by households remains constant. The number of poor will remain constant if national income grows at the same rate as the population times 1-1/(growth elasticity).

Consequently, high growth would need to be supported by deliberate income redistributive interventions in order to reduce poverty.

Table 4.5: Growth and Poverty Simulations (2004–2030)

| Year Growth Scenario | Total Per capita Expenditure | Headcount (percent) | Depth (percent) | Severity (percent) | Gini Index | Population in Poverty (millions) |
|--|------------------------------|----------------------|-----------------|---------------------|------------|----------------------------------|
| Scenario 1: Real Income Growth = 3.0 percent p.a.; Population Growth = 2.1 percent p.a. | | | | | | |
| 2004 | 721,238 | 70.5 | 30.0 | 15.9 | 0.38 | 3.7 |
| 2007 | 740,444 | 69.0 | 28.8 | 15.2 | 0.38 | 3.9 |
| 2010 | 760,198 | 67.6 | 27.8 | 14.5 | 0.38 | 4.1 |
| 2013 | 780,479 | 66.1 | 26.8 | 13.8 | 0.38 | 4.2 |
| Scenario 2: Real Income Growth = 4.7 percent p.a.; Population Growth = 2.1 percent p.a. | | | | | | |
| 2004 | 721,238 | 70.5 | 30.0 | 15.9 | 0.38 | 3.7 |
| 2007 | 777,715 | 66.3 | 26.9 | 13.9 | 0.38 | 3.7 |
| 2010 | 838,655 | 61.8 | 24.0 | 12.0 | 0.38 | 3.7 |
| 2013 | 904,370 | 57.1 | 21.2 | 10.2 | 0.38 | 3.7 |
| Scenario 3: Real Income Growth = 6.0 percent p.a.; Population Growth = 2.1 percent p.a. | | | | | | |
| 2004 | 721,238 | 70.5 | 30.0 | 15.9 | 0.38 | 3.7 |
| 2007 | 807,046 | 64.1 | 25.5 | 12.9 | 0.38 | 3.6 |
| 2010 | 903,106 | 57.2 | 21.3 | 10.2 | 0.38 | 3.4 |
| 2013 | 1,010,599 | 50.1 | 17.4 | 8.0 | 0.38 | 3.2 |

Given the growth elasticities derived under the neutral growth scenarios, Table 4.4 shows estimates of the minimum growth in national income needed to reduce the total number of poor. Assuming an average population growth rate of 2.1 percent, the economy has to grow by at least 4.7 percent in real terms annually to prevent the number of poor people from rising. Rural per capita incomes have to grow by at least 5.6 percent annually, and urban incomes by 4.0 percent.

Alternative growth scenario simulations (Table 4.5) indicate that the poverty incidence would be reduced to 50 percent in 2013 from 70 percent in 2004 if the economy grows by 6 percent annually and population grows at 2.1 percent. To meet the MDG goal of reducing poverty incidence by half by 2015, to 35 percent in the case of Sierra Leone, the economy would need to grow by more than 6 percent per annum.

4.7.3 Sources of Growth

The analysis thus far has clearly shown how heavily dependent the Sierra Leone economy is on agriculture, mining and informal economic activities, and therefore, growth in these activities has a large influence on the overall growth rate. Table 4.6 shows sectoral growth rates, while Table 4.7 shows sectoral contributions to the GDP.

Between 1985 and 1989, most sectors showed positive annual growth; Agriculture (2.9 percent), Industry (2.2 percent) and Services (2.7 percent). Negative growth was reported in the manufacturing and handicrafts industry (-7.2 percent), and positive growth in electricity and water supply with 9.1 percent. During the period 1990-94, there was negative growth in

agriculture, -4.1 percent per annum, and negative growth of -9.5 percent in services. Industry however, showed a positive growth of 10.6 percent. During 1995-99, all sectors showed negative growth, except livestock (3.2 percent), and electricity and water supply (7.5 percent).

Table 4.6: Growth Rates of Major Macroeconomic Aggregates (1985-2003)

| | 1985-89 | 1990-94 | 1995-99 | 2000-03 |
|--|---------|---------|---------|---------|
| Agriculture, Forestry and Fishing | 2.9 | -4.1 | -2.3 | 4.6 |
| Agriculture | - | -2.1 | -1.1 | 4.4 |
| Livestock | - | -9.3 | 3.2 | 5.0 |
| Forestry | - | -0.7 | -10.8 | 5.2 |
| Fishery | - | -16.0 | -4.0 | 5.9 |
| Industry | 2.2 | 10.6 | -7.9 | 6.4 |
| Mining and Quarrying | 7.5 | 14.1 | -8.7 | 5.8 |
| Manufacturing and Handicrafts | -7.2 | 11.5 | -7.2 | 6.9 |
| Electricity and Water Supply | 9.1 | - | 7.5 | 8.5 |
| Construction | 2.8 | 0.1 | -4.1 | 8.1 |
| Services | 2.7 | -9.5 | -5.8 | 5.3 |
| Trade and Tourism 1/ | 5.0 | -8.9 | -1.8 | 5.3 |
| Transport, Storage and Communication | -2.8 | -11.7 | -4.3 | 6.2 |
| Finance, Insurance and Real Estate 2/ | 3.2 | -9.7 | -14.6 | 6.3 |
| Government Services | 8.2 | -2.3 | -6.8 | 4.1 |
| Other Services | 1.0 | 10.1 | -10.6 | 3.7 |

Source: National Accounts of Sierra Leone, Statistics Sierra Leone and IMF Staff Projections and Estimates

1/ Including Hotels and Restaurants; 2/ Including other business services

In the immediate post-war years (2000-03), the agriculture, forestry and fisheries sector grew at 4.6 percent per annum, with the highest growth in fisheries (5.9 percent). During the same period, industrial growth was estimated at 6.4 percent, with the highest growth in electricity and water supply (8.5 percent) followed by construction (8.1 percent). The likely explanation for the growth in construction would be the reconstruction of buildings burned down during the war; this growth might slow as more people find places to live. The growth in electricity and water might have been an effect of the increase in housing construction. Since demand for electricity and water have far exceeded supply in the past 10 to 20 years, it is possible that growth in the sectors resulted from improved repair and rehabilitation as well as capacity (i.e. supply-generated not demand). The services industry grew at about 5.3 percent with the highest growth in finance, insurance and real estate (6.3 percent), followed by transport, storage and communication (6.2 percent). Together, agriculture and mining activities accounted for 45 percent of GDP in 1990-94, rising to 56 percent in 1995-99 and 51 percent in 2000-03. The fastest growing sectors during the post-war period were electricity and water, construction, manufacturing, finance, and transport and communications.

Table 4.7: GDP by Sector at Current Market Prices (in percent of GDP)

| | 1990-94 | 1995-99 | 2000-03 |
|---|----------------|----------------|----------------|
| Agriculture, Forestry, and Fishing | 38.29 | 51.28 | 47.23 |
| Agriculture | 22.7 | 35.66 | 31.94 |
| Livestock | 2.07 | 2.18 | 2.91 |
| Forestry | 3.30 | 3.06 | 3.00 |
| Fishery | 10.30 | 10.37 | 9.39 |
| Industry | 31.57 | 28.72 | 24.48 |
| Mining and quarrying | 22.03 | 20.14 | 19.53 |
| Manufacturing and Handicrafts | 6.86 | 5.49 | 2.46 |
| Electricity and Water Supply | 1.07 | 0.52 | 0.30 |
| Construction | 5.26 | 2.58 | 2.19 |
| Services | 24.50 | 14.83 | 22.56 |
| Trade and Tourism | 11.40 | 5.12 | 5.39 |
| Transport, Storage and Communication | 5.06 | 1.82 | 4.56 |
| Finance, Insurance and Real Estate | 3.45 | 2.78 | 4.57 |
| Government Services | 3.27 | 3.18 | 4.26 |
| Other Services | 1.42 | 1.92 | 3.79 |

CHAPTER FIVE

POVERTY REDUCTION STRATEGIES

5.0 Strategic Direction

The previous sections have adequately analysed the programmes government has pursued to restore security, peace, and the economy, against a backdrop of destruction since the end of the conflict in 2002, within the framework provided by the IPRSP and the NRS. Overall, macro-economic management of the post-war economy has been widely acclaimed for maintaining some level of stability and achieving modest growth. However, there is overwhelming national consensus in post-conflict Sierra Leone that poverty in all its dimensions is pervasive. The key sources of growth have also been identified with agriculture and mining the dormant sectors. The level of deprivation in the country, especially in the rural areas, questions the current thrust of overall policy, its implementation and impact on the majority of the population.

Sierra Leone's poverty profile shows that the main poverty indicators are insufficient food, poor shelter/housing, poor health and high infant and maternal mortality, high level of illiteracy, limited access to clean water and lack of money. The main causes of deprivation are the past rebel war, poor access to health and education facilities and services, unemployment, large family size and increasing vulnerability to economic and social shocks. These factors reinforce themselves and result in a poverty trap that only leads to further deterioration in the standard of living for the poor. The overall poverty level stands at 70 percent.

To reverse this level of poverty and its underlying causes, the government is following a new strategic direction with new monitorable goals, aligned to and consistent with the Millennium Development Goals (MDGs). This requires preparation of a comprehensive framework or strategy, and adoption of bold and appropriate sectoral policies, measures and institutional reforms to achieve economic growth, increase food security, increase job opportunities and provide better basic social services, as well as effective social safety nets for the poor and vulnerable. This PRSP, which has been prepared within an environment of credible, accountable, responsible and effective participation by all stakeholders, provides that framework.

5.1 Pillars of the PRSP

To address the poverty challenges and attain the medium term objectives of the PRSP, i.e. attaining food security and creating employment opportunities, Sierra Leoneans, in a series of nationwide consultations, agreed to anchor the policies and strategies around three main pillars, namely:

- Pillar 1: Promoting good governance, security and peace;
- Pillar 2: Promoting pro-poor sustainable growth for food security and job creation;
- Pillar 3: Promoting human development.

The first pillar is influenced by the recent emergence of the country from a brutal conflict that reduced the capacity for state governance and security. Although significant progress has been made in re-building institutions for governing the state and safeguarding national security, there is still need for deeper reforms, and to strengthen the capacity for effective and efficient delivery of basic services and long-term sustainable development. The people's assessment of the poverty situation has emphasised various aspects of bad governance as one of the main causes of their deepening poverty. Consolidation of peace and nation-wide reconciliation are also expected to provide the enabling environment for the transition to medium and longer-term development.

The second pillar emphasises the continued implementation of sound economic policies, to attain macroeconomic stability and a more favourable environment for private sector development. A stable macro-economy will also underpin the sectoral and other more specific interventions that have been designed through participatory processes involving consultations with civil society and other community stakeholders in the country. Pro-poor economy-wide and sectoral growth is critical to strengthening food security systems for the poor and job creation opportunities, especially for the growing number of unemployed and underemployed young men and women in the urban and rural areas. These are directly linked to the results of the poverty diagnostics from the Integrated Household Survey of 2003/04 and the PPAs/FGDs/PLFs conducted around the country in the last one year. They are also consistent with most ad hoc surveys conducted in the pre-war and war years. There is the need therefore to re-organise and re-invest in sectors that both promote economic growth and bring benefits to a larger number of the poor.

The third pillar underscores the point that poverty reduction must be underpinned by investment in human resources. Rational investment in the health and education of the population and increasing access to basic services provide the basis for enhancing the capacities of the poor and reducing their vulnerability for sustained poverty reduction.

5.1.1 Links between the PRSP Pillars and the MDGs

Table 5.1 presents the relationship between the pillars of the PRSP and the MDGs. Pillar One focuses on good governance, peace and security. It provides the enabling environment for effective and efficient delivery of essential services that the poor rely on for reducing poverty. This is in line with Target 12 of MDG 8, which stresses, among others, the need for good governance to provide the environment for service delivery to the poor and economic growth. Pillar Two addresses food security, job creation and growth. All the interventions in the productive sectors, infrastructure, the private sector and in macro-economic management, are consistent with achieving targets one and two of MDG 1, and targets 16 and 18 of MDG 8. Finally, Pillar Three of the PRSP is on promotion of human development, i.e. the social sectors. This pillar is very well linked to all the targets of MDGs 2 to 7.

5.1.2 Medium Term Goals and Targets of the PRSP

The PRSP is a medium term framework for the next three years. Follow-up strategies are expected in the ensuing years as objectives are met and priorities change. These time-bound

strategies will form the building blocks to the MDG targets and Sierra Leone’s Vision 2025. By linking Sierra Leone’s PRSP to the attainment of the MDGs in 2015, government expects maximum cooperation and support from the international community.

Table 5.1: Linkages between SL-PRSP Pillars and the MDGs

| SL-PRSP Pillars | MDGs |
|---|--|
| <p>Pillar 1: Good governance, security and peace building</p> | <p>Goal 8: Develop a global partnership for development: Target 12: Develop further an open, rule-based predictable, non-discriminatory trading and financial system includes a commitment to good governance, development, and poverty reduction-both nationally and internationally.</p> |
| <p>Pillar 2: Promoting pro-poor growth for Food Security and job creation (in a healthy macroeconomic environment)</p> <ul style="list-style-type: none"> • Promoting Food Security (investment in productive sectors – Agriculture and Fisheries, and rural infrastructure, etc). • Job Creation (Investment in Infrastructure - energy, roads, transport, communication, ICT, tertiary sector, Private Sector development and Mining. • Sound macro-economic management | <p>Goal 1: Eradicate extreme poverty and hunger: Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger</p> <p>Goal 8: Develop a global partnership for development: Target 16: In co-operation with developing countries, develop and implement strategies for decent and productive work for youth Target 18: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications.</p> |
| <p>Pillar 3: Promoting Human Development</p> <ul style="list-style-type: none"> • Education • Health and Nutrition • Housing • Water and Sanitation • Vulnerable • Youth Development • Cross-cutting Issues <ul style="list-style-type: none"> - Child first - HIV/AIDS - Gender Equality and Empowerment - Environment | <p>Goal 2: Achieve universal primary education: Target 3; Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</p> <p>Goal 3: Promote gender equality and empower women: Target 4; Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015</p> <p>Goal 4: Reduce child mortality: Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate</p> <p>Goal 5: Improve maternal health: Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate</p> <p>Goal 6: Combat HIV/AIDS, malaria and other diseases: Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.</p> <p>Goal 7: Ensure environmental sustainability: Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.</p> |

In defining and setting the medium term goals for the PRSP, government has taken into consideration the country’s poverty profile as revealed by the 2003/2004 SLIHS, sector reviews, and nationwide participatory and consultative processes. These goals and targets are aligned with the Millennium Development Goals of 2015 to which the government is also

committed. They are also consistent with the longer term goals already set in Sierra Leone's Vision 2025. The underpinning medium term macroeconomic framework is defined in the PRGF arrangement with the IMF and detailed in Chapter 4.

The overall picture is that Sierra Leone is deeply impoverished and most of the socio-economic indicators have deteriorated quite significantly from the base year (1990), largely on account of economic, social and physical destruction caused by the decade-long conflict. As shown in Table 5.2 below, the population of people in extreme poverty increased from 57 percent in 1990 to 89 percent in 2000, compared with the MDG target of 28.5 percent by 2015. The overall goal is to reduce poverty to at least the 1990 level by 2007. This is achievable through growth that will lead to an increase in real GDP and will be maintained at between 6 and 9 percent p.a. in the 2005 to 2007 period. This will largely depend on growth in the productive, infrastructure and service sectors. It is expected that the targeted level of economic growth will ensure increase in food production per capita and job creation opportunities.

Table 5.2: Progress in Achieving Millennium Development Goals (1990-2015)

| Millennium Development Goals | Status of Achievement (in % unless otherwise indicated) | | |
|--|--|-------|----------------|
| | 1990 | 2000 | 2015 Target |
| Population living in extreme poverty | 57.0 | 89.0 | 28.5 |
| Universal primary education (net primary school enrolment for school-age children) | 52.0 | 42.0 | 100 |
| Proportion of children under five- years that are underweight | 24.0 | 27.0 | 12.0 |
| Proportion of population without access to safe drinking water | 35.0 | 57.0 | 17.5 |
| Proportion of children under one-year immunized against measles | 79.0 | 60.0 | 100 |
| Infant mortality rate 1,000 live birth | 302 | 284 | 100 |
| Maternal mortality ratio 100,000 live birth | 700 | 2,000 | 175 |
| HIV prevalence rate among adults 15-49 years | - | 4.9 | 0.0 |

Source: World Development Indicators database, April 2004; UNDP; and Sierra Leonean authorities

The other goals and targets for the period 2005-2007 are to:

- Increase the accessibility and affordability of social services from 45 to 60 percent of the population by 2007.
- Reduce maternal, infant and under five mortality by one-third by 2007.
- Reduce morbidity and mortality, due to malaria and other communicable diseases by 50 percent by 2007.
- Reduce the incidence of HIV/AIDS and other sexually transmitted diseases.
- Reduce malnutrition, especially among children and women.
- Increase enrolment in primary school.
- Increase the level of literacy among 15-24 year olds.
- Eliminate gender disparity in primary education by 2007.

5.1.3 Pillars, Priority Strategies and Actions

Sierra Leone's PRSP goals in the 2005-2007 are realistic and achievable. However, this will require the coordinated and robust implementation of priority policies and strategies in key sectors as identified under the three pillars of the PRSP. These are described in the rest of the chapter, which presents detailed medium term strategies for poverty reduction in Sierra Leone. Although presented separately, the three pillars and associated sectoral strategies are considered holistically. They are not only interrelated but also reinforce each another in order to be effective in the fight against poverty in Sierra Leone, and to attain the MDGs in the long-term.

The choice of strategies and priority actions is based on four main criteria: (a) the outcomes of the poverty profile, particularly the "voice of the poor" as expressed in the participatory assessments and the focus group discussions; (b) the assessed value of the activities in the context of poverty reduction in the rural and urban areas; (c) on-going and fully-funded programmes in the public sector related to poverty reduction; and (d) the long-term vision of the government and people of Sierra Leone as expressed in the Vision 2025. The priority objectives and actions are summarised in Annex 2, whilst Annex 3 links these with key progress indicators and outputs by pillar.

5.2 Pillar One: Promoting Good Governance, Peace and Security

Improving the quality of public sector governance is the government's most important strategy in the fight against years of deterioration, poverty and deprivation. Implementation of pro-poor policies and programmes in all sectors will require the implementation of a wide ranging and comprehensive governance programme that guarantees delivery of services to poor people in both the rural and urban areas in an atmosphere of peace and security. Good governance, consolidated peace and a strengthened security sector are key elements of the enabling environment for delivery of services for attainment of food security, creation of employment opportunities, human development and economic growth. All of these are critical to the attainment of sustained poverty reduction and the MDGs in the long term.

5.2.1 Improving Public Sector Governance

Government will continue to ensure that rapid improvement in public sector governance remains on the medium term post-conflict poverty reduction agenda. The overarching policy objective is to promote efficient, transparent and accountable delivery of services to the poor. With the support and assistance of the multilateral and bilateral development partners, strategies have been elaborated for improvement in governance within the public sector, particularly focusing on: (a) Public sector reform, (b) Decentralisation of state governance; (c) Public financial management and procurement reform; and (d) Anti-corruption, "empowerment with information".

(a) Speedy Public Service Reform

An efficient public service and an enhanced institutional capacity for the delivery of public services are critical for achieving Government's development challenges, including

macroeconomic stability and poverty reduction. The Government is committed to good governance, which aims at delivering public services throughout the country in a timely and efficient manner. Its strategy to reform the public sector has two main components: (a) focusing on the delivery of important public goods and services that the state has to provide, while transferring the responsibility of providing other services to the private sector where the capacity exists; and (b) reforming institutional design, organisational development, and process management to strengthen public expenditure management and the capacity for delivering those services that will remain in the public domain.

The public service reform programme will focus on human resource management and functional reviews of key ministries; a review of central policy making; establishing a new personnel management office and new personnel regulations. A review of civil service grading and pay structure is under way and will provide a basis for future reform for which the Government seeks further technical and financial support from the donors. Work is also in progress to develop a new training policy and performance assessment system.

In the medium term, government is also considering to create a Senior Executive Service (SES) to provide sustainable technical and managerial leadership in the civil service. The main objective of the SES is to establish a structured and recognised public sector management cadre, drawn from the technical and managerial class of the Civil Service to fill the higher non-political positions in Government. The rationale is to have a lean but effective and efficient cadre of change agents to manage the public service. The SES will be performance-oriented, providing opportunities for merit-based recruitment and a reward system contingent upon performance. It will build the capacity of public officials to formulate, implement and supervise policies and programmes in ways that are efficient, effective, transparent and accountable. When accomplished, the SES will maximise public sector productivity, service delivery and rebuild public confidence in the Civil Service.

(b) Deepening Decentralisation and Empowerment

The Government has already adopted decentralisation and empowerment as a key strategy for promoting good governance, consolidating peace and reducing poverty. This strategic decision is based on the recognition that a major contributing factor to the ten-year civil war was the antagonism between, on the one hand, a large section of the population who were marginalized from the political process and deprived of social services and economic development opportunities, and on the other hand, those who controlled resources through absolute power and corruption. Additionally, the immense development challenges facing the nation cannot be addressed unless the entire population is mobilised to identify and own their local priorities and address these priorities through collective action.

The key elements of the current decentralisation and empowerment strategy include:

- Political decentralisation through democratic election of local councils. This has opened up space for political participation and inclusiveness in public decision-making processes. Eventually, it will reduce the tendency to resort to violence in the resolution of conflicts;

- Empowering the local councils with substantive expenditure and revenue generation responsibilities, and at the same time, empowering the communities to hold the councils accountable for their decisions. This will improve efficiency and accountability in public spending as well as the spread and quality of services;
- Using a transparent and equity-based formula grant system to allocate central government transfers across councils, which will improve equity in resource allocation and improve people's trust in the state; and
- Promoting a healthy competition among the local councils to encourage better performance in service delivery as well as innovation and learning. This will create more job opportunities at the local level and in the medium term lay the foundation for effective community development and transformation.

The devolution of responsibilities from central line ministries to local councils will commence in 2005. This will guarantee the delivery of services to the people. However, the capacities of the councils to deliver are expected to be weak in the short term. Government will therefore focus on capacity building of the local council delivery mechanisms. Within this context, the roles and responsibilities of the paramount chiefs will also be clarified.

(c) Strengthening Public Financial Management and Procurement

An efficient and strategic use of public resources to support restoration of public services is critical to fighting poverty in Sierra Leone. Weaknesses in governance over the years have been manifested in the low level of transparency and accountability in the use of public funds, low revenue generation capacity and lack of basic services for the poor. The collective effect has undermined confidence of the citizenry in the public sector and its ability to meet the basic needs of the population.

Government has already undertaken a number of initiatives with strong donor assistance that evaluated public financial management (PFM). On the basis of the evaluation's findings and recommendations, a number of reform measures have been commenced, which will continue to be implemented within the unfolding decentralisation framework to ensure the effective use of public resources in the implementation of the PRSP. The main components of the PFM reform agenda include: (a) improving the legal framework for the budget process; (b) improving policy making and budget planning; (c) strengthening budget execution; (d) improving capacity for accounting and reporting; (e) improving the effectiveness of monitoring and control systems; (f) designing and supporting financial management systems for local governments; and (g) reforming the public procurement system. Government has established a Public Financial Management Committee to prepare time-lined action plans, and to supervise and monitor implementation of these reforms.

Given the limited financial resources in the face of the vast challenges of poverty reduction, action will be taken to build complementarity and synergies among the key institutions responsible for public financial management (such as MoF, BSL and NRA), resting on policy dialogue, strategic partnerships, knowledge management and impact management. A key priority area of the PFM reform is the improvement of capacity for these institutions to be able to perform their respective roles more effectively. This is expected to reduce transaction costs

for public expenditures and enable government to divert were resources towards food security and job creation initiatives.

(d) Strengthening the Anti-Corruption Agenda

A cornerstone of the governance programme is Government's continuing commitment to fight corruption at all levels, both in the private and public sectors. The Anti-Corruption Commission (ACC) was therefore established in 2000 as a mechanism for the eradication of corruption in both the public and private sectors. In his address to Parliament during his inauguration for a second term in July 2004, the President of the Republic of Sierra Leone identified corruption as a national security issue. In this connection, Government will maintain zero tolerance on corruption.

An important strategy of the ACC in the medium term is to identify and focus on corrupt individuals, including politicians, public officers, civil servants and their accomplices. This effort has been greatly aided by the tremendous response by the public in reporting their complaints and allegations to the Commission. This gain will be consolidated by action in a number of areas including the building of coalitions with civil society, additional training for the professional staff of the Commission as they confront corruption in all its manifestations; the recruitment of qualified accountants and auditors; and the expansion of the Commission's activities to all parts of the country.

The ACC will also strengthen its corruption prevention strategies through constructive engagement with the MDAs. Procedures for financial management and procurement of goods and services in all the sectors will be continuously reviewed and observed with a view to recommending procedures that will guarantee probity in the handling of public resources. Government will ensure that Public Expenditure Tracking Surveys (PETS) will compliment these efforts.

Experience gained in operating the Anti-Corruption Act 2000 revealed a number of shortcomings that needed to be addressed through amendments. The amendment was effected in the Anti-Corruption (Amendment) Act 2002. However, further amendments are required in order to enhance the performance and strengthen the enforcement powers of the ACC. Accordingly, plans have been formulated for a complete review of the current Act and redrafting of a new Anti-Corruption Act. Government, with the support of donors, has already appointed a full time expatriate Judge and prosecutor to ensure a speedy and judicious handling of corruption cases. A national Anti-corruption strategy is being developed with the support of UK-DFID, and the World Bank, based on the national corruption survey in 2003/04. Anti-corruption strategy would subsequently be developed by all MDAs. Broadly, a review of the ACC and its mandate in anticorruption measures is underway.

(e) Empowerment with Statistics

Sierra Leone's capacity for production, management and analysis of statistics suffered gravely during past decades of economic deterioration and civil war. The loss of institutional capacity, combined with the losses of historical statistics, hampered the government's ability to prescribe appropriate policies and assess policy effectiveness in most areas, including macroeconomic stability and poverty reduction. This is a structural problem deserving serious and immediate

attention. Availability of relevant and timely statistics is critical to enabling conditions for policy development and assessment that allows measuring inputs, outcomes, and impacts.

In addition to the need to have high-quality statistics for its own use, the government is committed to transparency and accountability, as well as to the empowerment of public participation in the policy-making process. The most effective means to empower the public is to provide relevant, accurate, and timely information and statistics. High-quality statistics could convey the clearest information in terms of policy intention, evidence-based outcome, effectiveness, and accountability of the government. Access to information and statistics facilitates effective participation of the public in the PRSP process, including policy dialogue, policy formulation, monitoring of implementation, and evaluation of the outcomes.

There has been some progress in the quality of statistics during the last few years. However, there is still a considerable way to go to ensure that sufficient high-quality statistics are produced and disseminated on a timely basis. In 1998, the system of statistics was assessed, with assistance from the IMF, with a focus on the legal and institutional capacity of the Central Statistics Office. Following the IMF's recommendations, the Statistics Act 1963 was repealed and replaced by the Statistics Act, 2002 and the Census Act, 2002. In November 2002, the Sierra Leone Statistics Office was established as an autonomous agency to replace the Central Statistics Office. SSL is governed by the Statistics Sierra Leone Council.

In addition to adopting an international framework for the development of the national statistical system, Sierra Leone has been participating in the IMF-sponsored General Data Dissemination System since May 2003. This system emphasises coordination among statistical agencies and users, the prioritisation of statistical products on a demand driven basis, and production and dissemination of statistics based on international standards and best practices. These measures will be carefully implemented by SSL in close collaboration with the other macroeconomic and socio-demographic statistic producers/users, such as the Ministry of Finance, Bank of Sierra Leone and the line ministries.

5.2.2 Consolidating Peace and Peace Education

The objective of Government's peace building efforts is to consolidate peace and facilitate nationwide reconciliation in order to avert recurrence to any form of civil conflict and to achieve a united people and country. Government, Civil Society and NGOs have undertaken several initiatives to foster peace and reconciliation since the end of the war in 2002. In addition to the orderly reintegration of more than 56,000 ex-combatants and resettlement of hundreds of thousands of internally displaced people and refugees, Government, in collaboration with the international community, instituted a Truth and Reconciliation Commission, which offered opportunities to victims and perpetrators to gain public acknowledgement of the abuses committed and allowed the Government to give a public affirmation of its commitment to justice. It also set up a Special Court for those alleged to bear the greatest responsibility for the war and its impact on the people. Government is committed to implementing the recommendations from these institutions, with continued donor support.

While these processes are expected to contribute to peace-building, continuous efforts and specific actions are required on the part of all Sierra Leoneans to provide the peaceful enabling environment needed for the implementation of programmes that address the immediate causes of the war. These include reform of the judiciary and human rights promotion, promotion and deepening of democratic institutions, public information and awareness raising, and strengthening civil society.

(a) Reforming the Judiciary and Tackling Human Rights Abuses

Government's strategy in the justice sector is intended to complement the restructuring of the police, in order to increase access to justice, especially by the poor. The abuse of human rights, especially those of women and children, was a salient feature of Sierra Leone's past conflict. Government believes that inculcating respect for human rights is critical to peace and reconciliation as well as to the prevention of past abuses recurring in the future.

The focus in the last two years has been on extension of the court system throughout the country with the end of the war and reform of the judiciary. The Government received assistance from UK-DFID under the Law Reform Project, which has included the refurbishment and building of the law courts and district magistrate courts, and legislative drafting. This work is expected to improve courtroom productivity, and to reduce the backlog of pending civil and commercial cases.

The reform measures in the medium term will aim at accelerating the administration of justice, reforming laws that relate to women and children, such as those relating to the juvenile justice system, gender-based violence, and the worst forms of child labour. They will also improve the environment for private sector development, including a review of the Companies Act, the Business Registration Act and its rules, the Law on Bankruptcies, and laws related to secure transactions, in support of government's private sector development strategy. The local court system will be reformed and strengthened with a view to expanding and effecting justice for the poor at Chiefdom level. Government will continue to support human rights institutions, including the National Commission for Human Rights, to pursue violations and protection of human rights of the citizenry.

(b) Promoting and Deepening Democratic Institutions

Government will continue to strengthen oversight and accountability issues in order to improve on its own performance. This will include support to Parliament, the National Electoral Commission, the National Commission for Democracy and Human Rights, and the Office of the Ombudsman. Representation of women and youth will be strengthened in all decision making organs of the state.

(c) Public Information and Awareness Raising

Government recognises that information plays a critical role in promoting good governance and poverty reduction. It is Government's desire to ensure that every citizen has access to timely, accurate and objective information on national issues. Consistent with the Constitution and in the spirit of the national motto: "Unity, Freedom and Justice", Government is committed to ensuring a free and independent press and media houses, including the establishment of an independent broadcasting house. Additionally, public education and awareness raising

strategies will be used to promote good governance principles and practices such as the rule of law, human rights, responsible leadership and citizenship, decentralization challenges and role of paramount chiefs.

Government will also implement other measures that will strengthen reconciliation and promote peaceful coexistence, building of intermediary structures and institutions, integration of disaffected youth and marginalized groups (including women in decision making), public education on the culture of peace and community leadership training and integration of peace education and conflict-resolution in school and college curricula, and sports at all levels.

5.2.3 Strengthening National Security

It is obvious from various consultations, development and sector reviews that meaningful reduction of poverty and overall development in Sierra Leone is predicated on a strong and effective security system that is capable of defending the state and protecting its people. A secure, peaceful and stable society would provide an enabling environment for the implementation of anti-poverty programmes with maximum benefits to the poor and the vulnerable.

The government's overriding strategy is to transform and restructure the security sector to have the ability to respond adequately to threats to the state and the citizenry, as UNAMSIL gradually and finally draws down in the ensuing years and bilateral support for the sector phases out. This requires facing up to the main threats posed by political, social and development problems in a post-conflict environment. The areas of concern widely identified include: the consolidation of state authority throughout the country; developing the capability of and strengthening the security forces; suppressing coup and subversion tendencies; tracking indiscipline, lawlessness, terrorism, trans-national organised crime, and guerrilla or bandit movements; dealing with the porous border, armed incursions, and uncontrolled immigration; providing protection of mining and marine resources and economic exclusion zones; strengthening weak national capacity for the prevention and protection of persons and properties from fire and natural disasters.

Government recognises that the threat to security in this post-conflict period is largely internal. The implication for strategy in the security sector is that the state needs a smaller but more robust and flexible RSLAF (which protects the country's borders) and a larger SLP which has primacy in maintaining internal law and order. To rectify the mistakes of the past, government will upgrade the role of intelligence in the work of the two main forces. The strategy is to develop and equip the intelligence apparatus under the control of the Office of National Security (ONS) to ensure the appropriate focus of scarce resources and critical forewarning of threats to the well-being of the state.

In the medium term, the RSLAF will continue to be restructured while recruiting new personnel to replace retiring men and officers. The force will require a capacity to assist the SLP in providing military aid to civilian power. The overall strength by 2007 is expected to stabilise at around 10,500 personnel with the appropriate equipment, logistics and accommodation. The SLP will continue to hire, train, equip and accommodate more personnel

to enable it to deliver public safety, law and order and, through its community policing strategy, help to resolve community-level conflicts. The total strength is expected to increase from the present level of 7,000 to 9,500 personnel by 2007.

The Sierra Leone Prison Force and the Fire Force will also be strengthened through new recruitment and training; equipping them to perform their roles in the national security system and provide services to the people. The government's plan in the medium term is to transform prisons from mere detention centres to places for rehabilitation, skills training and correction of prisoners.

Capacity building will be given high priority in all the security sector institutions at central, provincial and district levels to also enable them face up to organised crime and insurgencies from within and outside the borders. Partnership with non-security sector actors will be facilitated to support the work of the ONS. Also, the coordination and oversight mechanisms will be transformed to ensure effective civilian control of the forces for transparency, accountability and responsiveness of the forces.

5.3 Pillar Two: Promoting Pro-Poor Sustainable Growth for Food Security and Job Creation

Chapter four has already outlined the key macro-economic policies and interventions that government will pursue in the medium term (2005-2007) to support the poverty reduction goals. GDP is expected to grow at 6 to 9 percent annually over the period. An enabling environment for this to be achieved will require economic stability with a relatively low inflation rate, targeted at 5 percent per annum, improvement in macro-economic management, particularly fiscal and monetary management, and sound external sector policies. Domestic revenue mobilisation is expected to rise from 13 percent of GDP to 15.7 percent of GDP in 2007. These policies will be complemented by the implementation of a private sector development programme and rationalisation of government's assets portfolio through privatisation and divestiture. These policies are central to the attraction of foreign and local private investments in agriculture, fisheries, mining, a supportive infrastructure (particularly roads, transportation, energy, housing and ICT), and the tertiary sector, particularly tourism and commerce. These sectors represent the largest likely sources of growth, while providing opportunities for food security, job creation and overall poverty reduction.

Government will also pursue efficiency gains in public resource management, including regular public expenditure reviews, sector-wide aid coordination and overall development management to inform the planning and budget allocation processes for poverty reduction.

5.3.1 Promoting Food Security and Job Creation

Achieving food security is at the heart of Sierra Leone's poverty reduction strategy in the next three years. This is implicit in the statement of His Excellency, the President in May 2002 that "...no Sierra Leonean should go to bed hungry (by the year 2007)." The majority of the people have defined poverty as being unable to afford the basic food and nutritional requirements. The government's overall objective in the period is to reduce hunger and malnutrition and

accelerate the attainment of the Millennium Development Goals (MDGs), especially MDG 1: the eradication of extreme poverty and hunger by 2015. Attaining food security will contribute significantly to the attainment of other important poverty reduction goals, especially the reduction of child malnutrition and mortality and improvement in maternal health on a sustainable basis.

Addressing food security requires coordinated short and medium term strategies and measures in the key sectors that influence the various dimensions of the country's food problems. Interventions will include addressing availability and sustainability of food supply and accessibility at the household and national levels in the short to medium term. Some of these strategies have been adequately elaborated in the Government's Food Security Strategy elaborated by the Ministry of Agriculture and Food Security. The short and medium term strategies will be combined with other sectoral interventions, including incentives and facilities to attract private sector investment in agricultural production, to ensure sustainability in increased food production, create rural jobs and income for growth in agriculture, livestock and fisheries sectors.

- In the short-term, the strategy will be to empower and provide for the poor and vulnerable rural and urban households to increase the quality and quantity of what they consume and to encourage farm families to produce more. This will involve effective and coordinated linkages and interventions, principally, in the productive sectors – agriculture and fisheries – the infrastructure sectors (roads and transportation) and the social sectors (health, nutrition, water, sanitation and education). Collaboration with local farmers associations will be scaled up to support input distribution and local food production. These actions will be complemented by the provision of safety-net measures, especially increasing access of the vulnerable to food.
- In the medium to longer term, inter-sectoral linkages will be strengthened and enhanced for sustainable national food security. The focus therefore will be on supporting the economic and social sectors for production, income generation and on creating job opportunities, as well as increasing access to education and health, especially with regard to addressing the needs of the vulnerable.

To support government's food security strategy in the medium term, other specific measures will be coordinated and implemented in the social sectors. These will include improving the effectiveness of food utilisation (i.e. enhancing food consumption habits for adequate consumption and better nutrition), and improving sanitation to reduce maternal and child mortality rates.

A Right to Food Secretariat (RFS) has already been set up by Government and its partners to support the coordination of activities in the food security sector. The work of this Secretariat will be strengthened to maximise the synergy among the productive, infrastructure and social sector activities that will accelerate the achievement of food security within the medium term.

(a) Support to Agriculture

Support to agriculture, fisheries and the allied sectors is critical to government's food security strategy in the short to medium term. Agriculture is dominated by small-scale subsistence

farmers with low productivity. The short term objectives of government intervention are diversification of the crop mix in the uplands, and intensification of production from the small hectares cultivated in the lowlands. This will be achieved through the introduction of new technology, input provision through credible farmers' associations at the local level, and targeted extension support, especially to the unemployed youth and the small-scale farmers. More vulnerable farmers will also be targeted with food-for-work. This will contribute to an increase in food production to tackle hunger at household level in the rural areas in the short term. Government will also continue to encourage private sector investment in agriculture, especially for the production of food for the market, in the short term. Provision of inputs and appropriate farm machinery on a cost recovery basis or favourable credit terms as appropriate and extension support will be central to this strategy. Also, government will work through local authorities to facilitate access by private sector operators to land for commercial cultivation and markets and storage facilities.

In the medium term, support to small-scale farmers will aim at increasing their capacity to produce enough to meet their own input needs directly or through established input and output markets. Emphasis will also be placed on increasing the stability and reliability of food supplies through a comprehensive feeder (farm-to-market) roads programme and the provision of market, storage and drying floor infrastructure in all chiefdoms in the country. Operations research and development, land development and use, and extensive training of extension staff and farmers will also be pursued.

(b) Support to Fisheries

In the fisheries sub-sector, government's short and medium objective is to increase supply of fish to the domestic market and for export. The strategy is to support fishermen and women engaged in both the artisanal and aquaculture sub-sectors with essential inputs and skills training in processing. In the marine sub-sector, the thrust is to maximise fish landing for export and the domestic market. A major investment proposal is the construction of a modern fishing harbour in Freetown to support this strategy.

5.3.2 Investment in Supportive Infrastructure

Government recognises that supportive infrastructure is integral to the attainment of food security and job creation objectives in the medium term. Although the country's infrastructural needs after the war are immense and still growing, priority has been given to the energy and power, roads, transportation, and information and communication technology (ICT) sectors. These sectors have a potential to transform the economy, accelerate growth in the productive sectors and rapidly improve market access, as well as to increase access of large poor rural communities to life enhancing services. This set of supportive infrastructure will also provide the necessary incentive for both local and foreign investment, important pre-conditions for the development of the private sector, and employment generation in service sectors such as tourism.

(a) Improving Energy and Power Supply

The government's overall objective in the energy sector is to expand the population's access to reliable modern energy services while improving supply reliability. The scope for small and

medium scale enterprises has not been fully utilised as a result of the near absence of a reliable source of energy. Most economic activities that provide new jobs for the poor, especially in the private sector, would be impossible without energy. In this regard, the strategy includes encouraging both public and private investment in the energy sector, and promoting energy mix, through the promotion of renewable energy resources, and improvement in the supply and demand management of traditional fuels. Following a comprehensive review of the energy sector and consultative sessions with stakeholders, two important steps will be taken to support the strategy, namely, (a) to improve energy sector governance and regulation, and (b) to reduce the health and environmental costs associated with energy supply and use.

The prospects for increasing access to modern energy supplies are bright, with the plan to complete the Bumbuna Hydro-Electricity Dam to serve the Western Area and parts of the Northern Province, and prospect for new sources of energy, especially in the Kono District, within the period of implementation of the PRSP. As part of the strategy to increase access to electricity, Government also plans to fully exploit existing potentials for construction of mini hydro-electric dams especially to support rural electrification, as well as re-install all power stations at district headquarter towns without the facilities presently.

(b) Improving Roads and Transportation Network

The key objectives of the road and transport sectors are: (a) to improve physical access to rural and riverine communities and markets, through an improved and sustainable trunk and feeder roads system, and coastal and river transport networks; and (b) to ensure access to affordable basic transport services for the movement of persons, goods and services, especially for the rural areas. The strategy will be to use labour intensive methods in order to generate jobs for the youth.

The roads and transport sectors have tremendous potential and capacity for generating growth and economy-wide benefits. Their development is a pre-condition for overcoming the major constraints facing the country's economy because of the strong link between them and the rest of the productive and social sectors. Government will focus on expansion of the feeder road network, especially in the food and export crop production areas for accessibility to both farm inputs and outputs. Coastal and river transportation will also be given higher priority than before.

In the urban areas, improvement of the road network in the populated areas, and provision of transportation and lorry parks with storage facilities, will be part of the strategy to address congestion problems in Freetown, and to provide for some of the urgent needs of the major townships.

(c) Building Information and Communications Technology

The main objective of the ICT sector is to increase the population's access to IT products, to enhance productivity in the workplace. The strategy is to liberalise the ICT market and promote competition, increase the telephone density and penetration rate in the country, and to intensify support for IT human resource development. This strategy is expected to have economy-wide effects that will benefit government's social and economic development drive. Government recognises that most services are concentrated in the urban areas. In order to

support the rural areas and open up communication, a Universal Service Fund will be created from contributions of private sector service providers.

5.3.3 Improving the Climate for Private Sector Development

The Government will continue to recognise the centrality of the private sector to its poverty reduction efforts in this post-conflict period. This is underscored in the Government's Vision 2025 Report of 2003, which already foresaw a leading role for the sector. In working towards the goal of reducing poverty, a key objective is to support the private sector to become a central pillar for growth, job creation, increasing incomes and consequently poverty reduction on a sustainable basis. The overall objective of interventions in the private sector is to create an enabling environment for growth and competitiveness. In the medium term, the strategy is to identify priority areas that will generate maximum benefits for employment creation opportunities, income growth and sustainable food security. Priority programmes identified for promoting the development of the private sector in the medium term are described below.

(a) Export Promotion

The Government's strategy will focus on (a) continuing to identify export opportunities in markets that give Sierra Leone preferential treatment under the European Union EBA, Cotonou Agreement, the USA market through the African Growth and Opportunity Act, and the ECOWAS protocol on trade liberalisation; (b) provide quality assurance for goods meant for both domestic and export markets (including food safety standards for imported food); (c) promoting investment in both urban and rural areas that primarily utilises local raw materials; and (d) promoting growth in manufactured exports, especially in products where Sierra Leone has comparative advantage.

(b) Investment Promotion

The main thrust of Government's investment promotion policy is to eliminate the structural and physical difficulties currently facing potential investors. The strategy includes:

- Rebuilding infrastructure and strengthening the legal framework and judicial services. The key elements of investment promotion are embedded in the new investment code, which is based on international best practice;
- Simplifying business registration and transactions through the consolidation of the role of SLEDIC as a "one stop shop". Its initial focus will be in minimising delays in the registration of new businesses. Furthermore, all remaining cumbersome customs procedures will be streamlined to reduce transactions costs associated with clearing and exporting of goods; and
- Instituting an effective image building promotional campaign abroad that would project Sierra Leone as an attractive location for investment. A Standards Bureau to ensure quality assurance for goods meant for both domestic and export markets has also been established.

The fiscal incentive framework embedded in the tariff regime is being rationalised. Import duty rates, especially for raw materials and capital goods, are now lower; export duties eliminated; and a duty drawback system introduced for exports. The income tax regime now includes a

provision for a more generous depreciation schedule; and the corporate rate of tax has been progressively reduced. Trade and exchange rate systems are liberalised.

Financial sector reforms have focused on improving the efficiency and stability of the banking system. The Banking and Bank of Sierra Leone Acts were revised and strategies put in place to strengthen bank supervision. Efforts to establish a stock exchange are also at an advanced stage, to encourage further deepening of the capital market. In 2003, a Law Reform Commission was appointed to tackle the issue of the commercial use of land, including a review of the land tenure system.

(c) Privatisation and Divestiture

In 2002, the Government established the National Commission for Privatisation (NCP) to serve as a policy-making body to advance the restructuring of public enterprises and their divestiture. The objective is to redefine the role of government in the economy and to create opportunities for private sector development, while allowing the government to focus on improving the delivery of basic services. Government is proceeding with the divestiture of twenty-four enterprises grouped into nine categories, namely: utilities, financial institutions, transport, shipping, agriculture, manufacturing, information service, housing, and leisure including hotels. Through this process, Government will disengage from commercial and industrial activities and concentrate on the provision of basic services and infrastructural facilities that would complement rather than compete with the private sector. It will also develop a crop of local entrepreneurs, who can pull resources together and cooperate with investors abroad. Privatisation policies range from the award of management contracts to outright sale of government equity and assets, depending on the entity affected.

(d) Small and Medium Scale Enterprise (SME) Development

The development of SMEs is crucial to creating jobs and achieving food security, especially in the rural areas where poverty is pervasive. The government intends to develop and implement an appropriate SME policy and regulatory framework. The policy will facilitate the removal of impediments to SMEs, and the development of a private sector development foundation. The SME strategy will also seek to empower enterprises by increasing access to micro-finance or credit with favourable lending terms, especially for youth groups and women.

(e) Micro-Finance

The key objectives of micro-finance policy are:

- To integrate micro-finance into the formal financial system;
- To facilitate provision of viable and sustainable micro-finance services to low income households in a transparent and accountable manner so as to foster economic activity, boost real incomes and reduce poverty.

The rural community banks established by the Bank of Sierra Leone and other rural non-bank financial intermediaries will provide an effective vehicle for the implementation of this policy. Low-income households, especially in the rural areas, will benefit from the resources provided by micro-finance institutions to start, expand and diversify economic activities, and to improve management of their resources. The National Cooperative Development Bank, a leading

institution in the provision of micro-finance to cooperatives around the country, will also be strengthened to make it more commercially viable.

(f) Strengthening Public Sector-Private Sector Dialogue

To build the institutional capacity of private sector associations, Government will facilitate the establishment of a Private Sector Development Foundation as an umbrella organisation for all the major private sector organisations in Sierra Leone. A similar umbrella organisation will be established for micro- and small and medium scale enterprises.

5.3.4 Investment in Mining

The mining sector is the largest contributor to the country's foreign earnings. Before the conflict, the sector generated about 20 percent of the GDP, 90 percent of the registered exports and about 20 percent of fiscal revenues. The fortunes of this sector – especially those of the mining of diamonds, gold, rutile and bauxite – directly impact on the economy as a whole, and on the ability of the government to generate resources for state governance. Since the restoration of government authority and security in the mining areas, the prospects and contribution of the mining sector have improved significantly. Mining activities have intensified and supported economic recovery and revival of life in many erstwhile abandoned mining communities since the end of the war.

The mining sector is also an important source of employment. According to the Ministry of Mineral Resources (MMR), there are over 100,000 workers legally engaged on mining licenses throughout the country, mainly in small-scale and artisanal diamond mining. The official employment potential of artisanal mining for gold and diamonds is large; at present many workers are employed in illegal mines.

Government's goals in the mining sector are to restore its significance to the economy through increased output, employment, fiscal revenues and foreign exchange earnings. The strategies in the large-scale sub-sector include (a) reactivating existing rutile, bauxite and diamond mines, (b) promoting the development of an existing pipeline of identified promising deposits, and (c) promoting exploration of favourable geological target areas to develop and maintain adequate pipelines of promising prospects that can be proposed to potential investors.

For the small scale and artisanal mining sub-sectors, the goal is to improve the overall standard of living of miners – who are among the poorest people in the country – and their communities, through:

- Modernising the licensing of all mineral rights using a first-come-first-serve approach with rapid and transparent processing, incorporating an integrated cadastre system, supported by satisfactory monitoring, administration and enforcement of rights;
- Facilitating mechanisation through the establishment of a credit or revolving fund scheme to enable the purchase, rent or lease of equipment, which in turn would reduce the dependence of miners on existing financing arrangements that have often resulted in patronisation and continued poverty;

- Providing extension services to assist miners in selecting the best areas to mine in their mineral concession areas, in planning the mining activities, in processing the ores adequately, and in ensuring sound environmental and safety conditions, while administering excavating work with adequate mechanisms to identify diggers with license holders through tagging arrangements; and
- Providing a level playing field for the license holders as well as diggers through training to enhance their product evaluating capabilities.

Government will also continue to adopt measures to reduce illegal mining and eradicate smuggling of minerals. In a bid to regulate sector activities, Government has initiated new policies. The new Core Mineral Policy of 2003 improves on the goals and objectives of previous policies and programmes. It is aimed at achieving the following broad objectives: (a) optimal prices for diamonds; (b) an equitable resource distribution, to improve on the allocation of value in the chain from digger to exporter; (c) creation of a positive multiplier effect - the full value of all diamond purchases should circulate in Sierra Leone to create more wealth; (d) re-investment in the sector; and (e) combat illicit diamond mining and smuggling. Through the Kimberly process certification, official diamond exports have increased from US\$10 million in 2000 to about US\$125 million in 2004.

Government is also implementing a Certificate of Origin, which has been replaced by the Kimberley Process Certificate, by strengthening the system of internal controls necessary to make GGDO (now called the Gold and Diamond Department of the NRA) the effective import-export authority as recommended by the Kimberley Process. Government is also consolidating the laws and regulations governing the sub-sector and is taking steps to install a GIS-based mining cadastre that will provide the basis for effective enforcement of mineral rights.

5.3.5 Promoting Tertiary Sector Activities

Tertiary sector activities have grown in significance over the last decade, especially with the movement of a large part of the population to the major towns. Although efforts are being made to invest more in agriculture and rural areas, non-agricultural sources of income are growing in importance. Tourism and commerce are particularly significant contributors to job creation and growth. Tourism creates demand for agricultural produce and jobs through hotels and restaurants. Tourism is projected to grow over the next three years as peace continues to be consolidated and the country opens up for business and investment. The untapped potential will increase with the following strategies: (a) promoting and supporting private entrepreneurs and investors in the operation of tourism facilities, the development of tourism-related infrastructure and tourism projects in urban and rural areas; (b) provision for specialised training and education to guarantee availability of qualified human resources at all levels in the tourism

industry; and (c) rehabilitation and/or preservation of historical sites and important landmarks; clearing and maintaining safe beaches.

The sector will benefit immensely from private sector investment after the planned development of socio-economic infrastructure in both urban and rural areas. Government will provide incentives for diversification out of the Western Area and the development and protection of natural and cultural heritage assets. Marketing of the sector both internally and internationally will be prioritised during the medium term.

5.4 Pillar Three: Promoting Human Development

Promoting human development is critical to the desire of the people to come out of poverty. After food security, the majority of the country's poor want to have access to basic education, health, water and sanitation as the route out of extreme poverty, and to reduce the risk of falling into poverty in an increasingly difficult post conflict economy. In general, this is consistent with the widely held view that the poverty status of a population has a strong relationship with low levels of education, poor health status and low access to clean water and sanitation. Human development is about improving the quality of people – expanding their choices to have a full productive and creative life.

Government also recognises that human resource development is the bedrock for poverty reduction and sustainable development. Investment in education, health, safe water and sanitation, and housing contributes to both economic growth and improvement in the standard of living of poor people. Through these sectors, government may pursue policies of redistributing wealth and income, improving the welfare of the population, improving labour efficiency and expanding the capacity of people to act and achieve on their own while ensuring sustainability in the long term. Government is also committed to the notion that these human development sectors are fundamental human rights and important for attaining all the MDGs (see Table 5.1). Strategies for achieving these goals are detailed in the section below.

5.4.1 Expanding Quality Basic Education and Training

The overall objectives of the education sector are (a) to promote basic education for all Sierra Leoneans, and (b) to support manpower development in key sectors with the greatest impact on economic growth and poverty reduction. Provision of quality basic education at primary and junior secondary levels is consistent with Government's commitment to the attainment of the MDGs, achieving universal primary education by 2015, and the poverty reduction goals.

The government's strategic framework is provided by the New Education Policy. The focus in the next three years will be on (a) promoting and expanding access to basic education with a focus on the girl child, qualitative improvement and teacher education, (b) promoting tertiary training, especially technical and vocational skills in specialised disciplines, to meet the human resource needs for poverty reduction programmes, (c) improving the learning environment, (d) improving planning and management of the sector through capacity building and (e) promoting HIV/AIDS prevention education at all levels in the education system.

(a) Basic Education

Government will continue to promote and expand access to basic education (i.e. 6 years of primary and 3 years of junior secondary schooling) with a focus on the girl child. The demand for education at the primary level has continued to rise over the last few years and Government is firmly committed to meeting the goal of Education For All by the year 2015. The Education for All National Action Plan (2002 – 2015) serves as the linchpin of Government’s effort to achieve this objective. Government and its partners will prioritise isolated rural communities that need new primary schools and junior secondary schools. New facilities will be constructed to meet these important needs in all chiefdoms of the country.

Government recognises that the expansion in educational facilities and access should move in tandem with the maintenance of quality of education delivered. At the primary level, quality could be one of the most significant determinants of sustained enrolment. It is important to ensure high quality in primary education if high-quality secondary and tertiary education are to be delivered. Two important challenges for the education sector currently are the serious congestion in schools in the urban areas, and the shortage of trained and qualified teachers, especially in the rural areas. Government will address the problem of space by intensive use of existing school facilities and/or construction of more classrooms for the pupils. Training of more teachers at the tertiary level, and in-service training for those already serving, are strategies that will be used to address the problems of the high pupil to teacher ratio and the need for quality teaching. The current distance education programme will be expanded and supported to meet the growing demand. A remote area allowance will be re-introduced to attract and/or retain trained teachers in the rural areas.

Additionally, government will continue the practice of supplying quality teaching and learning materials to all schools at the basic level, especially in the rural areas, where the textbook per pupil ratio continues to be low. The textbook distribution system will be strengthened and supplemented by the establishment of resource centres (libraries) and mobile libraries in every district. Access to these facilities at chiefdom level will be coordinated by the district councils.

The national school feeding programme will be expanded with the support of government’s development partners to provide incentives and a conducive learning environment for school children. Introducing an individual school gardening programme, introduction of nutrition education in schools and establishment of chiefdom-level home economics centres will also support Sierra Leone’s food security strategy in the medium to long term.

Basic education will also entail mass education and functional adult literacy, which have positive effects on people’s participation in governance, production, health and nutrition and community development in general. Female adult literacy will be given particular attention. Government will recruit and deploy adult education teachers over the next three years to train up to 20 thousand adults.

With support from the World Bank and the African Development Bank (ADB), Government is implementing the “Rehabilitation of Basic Education” Project (REBEP). The objective of the project is to assist Government re-establish education services in a post-conflict environment, and prepare the ground for building up the sector. REBEP, now renamed the *Sababu* Education

Project, has also made provision for training a limited number of teachers through the in-service training Programme. This number will need to be expanded over the next three–five years to match the anticipated expansion in enrolment. The Islamic Development Bank is also supporting the construction and furnishing of new primary and secondary schools in areas of strategic need.

To achieve parity and gender equity in the sector, Government is currently providing financial support to all girls who get into Junior Secondary School in the Northern and Eastern provinces where access for girls is comparatively low. The plan is to extend the support to all girls eligible for junior secondary education in the country.

(b) Post-Basic Training

The second area of focus for government is support to post-basic tertiary level training, especially in technical and vocational skills in specialised disciplines, to meet the human resource needs of key poverty reduction programmes. The citizens also need more of this type of training to meet the current and future challenges of building a modern state. Investment in skills training will give a chance to Sierra Leonean youths to become more productive and access job opportunities and income. Through rational allocation of funds and collaboration with the private sector, technical and vocational education will be aligned to the needs of the economy, particularly private sector employers.

The government is aware of the inadequate number of qualified teachers for all the basic and tertiary levels, the poor state of science teaching and the absence of ICT in secondary schools. These are major concerns for human resource development, that will be addressed through capacity building in the medium to long term. This brings into focus the role of higher education in poverty reduction in the medium to long term.

Presently, higher learning institutions are facing considerable resource constraints. This is bound to impact on their ability to contribute to government's development strategy. Current shortages of personnel, especially for science and technology teaching, applied agricultural research and extension, and health care, will be addressed through special grants-in-aid or scholarships.

(c) Other Education Issues

Special needs education for disabled and vulnerable children (e.g. the deaf, dumb, and blind) will also be given priority in the next three years. Wherever possible, parents will be encouraged to send their children to ordinary primary and secondary schools. However, those with special needs will be catered for in separate facilities.

The issue of HIV/AIDS in schools and other academic institutions is one that needs great attention if the benefits of investment in education are to be realised. Government will introduce a youth-friendly life skills education as a separate subject in all secondary schools with specially trained subject teachers.

5.4.2 Expanding Health and Nutrition Services

The provision of basic healthcare is considered a major priority for poverty reduction in Sierra Leone. It has been ranked among the top three priorities by the population in a nationwide assessment. The government will continue to demonstrate commitment to improvement of the health status of the population, especially the rural and urban poor, in the next three years. The overall goal is to improve accessibility and affordability of health services to the population. Two important strategies to guide implementation in the medium term are firstly, to improve on the quality of the service provided and secondly, to review and restructure the delivery mechanism. Also, Government will ensure that health care services are delivered on an equitable basis to all communities and persons, especially to the poor and vulnerable members of the community.

To support the government's health sector goal and poverty reduction drive, priority will be given to four major areas of health care.

- The first is preventive care and treatment of communicable diseases that have impact on others besides the individuals directly affected. The focus will be on diseases that reduce (a) maternal, infant and under-five mortality and (b) morbidity and mortality due to malaria and other communicable diseases. The incidence of HIV/AIDS and other sexually transmitted diseases will be addressed with the urgency that they deserve.
- The second area is improving the nutritional status of infants and young children, and pregnant and lactating women, as part of the food security strategy. The short and medium term strategies will intensify support to these groups through supplementary feeding and maternal and child health programmes. Other equally important programmes will involve the promotion of positive behavioural change among women with respect to nutrition and reducing the prevalence of anaemia among children and women.
- The third area of focus is strengthening primary and secondary level care, which will be consistent with government's overarching objective of decentralising the provision of basic services to the population. Devolution of health care management systems will encourage community participation and effectively support implementation of the Bamako Initiative. Local Hospital and District Management Boards have already been established and these need to be strengthened. Also, the roles and responsibilities of all stakeholder organisations will be clarified following the devolution of functions to the newly elected District and Town Councils. Equally important is government's plan to accelerate the establishment of Nurses Training Schools in all the regions to address the huge shortage of trained personnel who administer basic health care at the primary and secondary levels.
- The fourth strategic focus is to strengthen some priority areas of tertiary care so as to ensure appropriate referral patterns and a continuum of care. The emphasis will be on tertiary sub-sectors that provide critical support to the secondary and primary levels, especially the provision of appropriate opportunities for training of health care and service delivery personnel.

Other priorities in the sector will include re-examining the way in which the health care sector is structured with respect to conditions of service that can help the retention of qualified and

experienced health workers at all levels, partnerships between public and private sectors, and transparency of decision-making and accountability processes.

The policy recognises the inter-relationship between the health sector and others such as food security, water and sanitation, education, etc. and their combined impact on the poor. The health management system will be operated in a manner that will allow for greater synergy with these other sectors in order to meet government's goal for poverty reduction.

Government will also provide free or subsidised health care to vulnerable groups like the children, under fives, school-going children, pregnant and breast feeding mothers. Other vulnerable categories include the handicapped (amputees, polio victims, the blind, deaf and dumb, etc), aged or elderly, widows and widowers, orphans, etc.

5.4.3 Increasing Access to Water and Sanitation

Government's overall objective is to increase access to safe drinking water and improved sanitation (healthy environment) for all in both urban and rural areas. The strategy in the medium-term is to continue to expand and strengthen the decentralised network of facilities for the delivery of safe drinking water and the improvement of general sanitation in both urban and rural areas. Over the period, government and its partners will promote sustainable management of water and sanitation facilities and sensitise communities and users to pay for services.

The priority programmes include:

- To provide safe drinking water to deprived communities in the peri-urban areas of Greater Freetown, District Headquarter towns and rural areas, including the rehabilitation and/or reconstruction of existing water supply facilities damaged during the war (e.g. hand dug wells, spring boxes, traditional wells, gravity fed systems, etc.);
- To provide adequate liquid and solid waste disposal facilities;
- To increase community awareness of good hygiene practices relating to collection and storage of drinking water, use and maintenance of sanitary facilities and other environmental sanitation issues; and
- To strengthen and coordinate the operations of service providing institutions.

5.4.4 Affordable Housing for the Poor

Sierra Leone is experiencing a critical shortage of housing for the poor in both rural and urban areas. The government is aware that the cost of providing support at the individual household level will continue to be prohibitive. In the short to medium term, therefore, the objective in the housing sector for the poor is to facilitate the production of affordable building materials and provide an enabling environment for construction of low cost housing by low income families or the private sector. Government and its partners will develop a comprehensive housing policy over the period that will focus on the needs of the poor and low income families in the urban and rural areas.

The priority strategies and programmes include:

- Building the capacity of communities for effective housing delivery through skills training in building materials production and housing construction;
- Facilitating access by the poor to affordable finance through micro finance institutions aimed at sustainable self-help housing construction;
- Improving access to and ownership of land for housing by the poor, especially women and the vulnerable, in the urban areas,
- Environmental upgrading of slum and squatter settlements in Freetown and other urban areas;
- Providing technical and other support services to communities and NGOs assisting them in the rehabilitation/reconstruction of homes destroyed in the ten-year civil conflict; and
- Facilitating the development of housing estates for all income levels nationwide, thereby providing employment opportunities for the youth.

Among on-going housing projects, the only one being implemented by Government (through the MODEP) is the Commonwealth-funded Resource-based Materials Programme in 17 production plant sites in the country. The National Commission for Social Action (NaCSA) is currently undertaking a US\$2 million housing project in the Koinadugu, Kailahun and Kono districts through the Catholic Relief Services (CRS) and the Adventist Development and Relief Agency (ADRA). International Non-Governmental Organisations (INGOs) such as CRS, CARE (Sierra Leone), Action Aid, World Vision (Sierra Leone), and ADRA are engaged in the implementation of shelter programmes and projects in various locations in the country. However, the combined shelter efforts of the INGOs have produced only 20,000 houses against a needs estimate of 350,000 houses.

5.4.5 Improving the Quality of Life of the Vulnerable

Although people referred to as vulnerable (see Section 3.13, Box 9) have always existed in various rural and urban communities, their collective profile remained low in the pre-war years due to the support provided by extended family relations and the limited community-level social networks. The nature of the past war and its overall humanitarian and household-level impact have led to both a marked increase in the number of vulnerable individuals in the country and a significant reduction in the capacity of traditional family and community structures of coping. This combination of forces has raised the profile and visibility of their vulnerability in society and therefore government's commitment to their explicit inclusion in Sierra Leone's poverty reduction strategy as a fundamental human right.

Government, its international partners and civil society have initiated various initiatives in the past to address some of the problems of the vulnerable. These include special homes, villages (such as the SOS Village) and orphanages. In recent times, Government set up NaCWAC for children, and various agencies have set up special youth projects that include the disabled, special projects for the handicapped, jobs for amputees, skills training projects, and provision of food. These initiatives are however not only few and uncoordinated, but are also concentrated largely in urban areas with limited outreach to the vulnerable poor in the rural areas. Also, the target groups involved are now looking beyond mere welfare support. They

need recognition as integral members of society, benefiting from all rights and obligations. This requires a new agenda and an innovative strategy.

Government's overall objective in the period 2005-2007 is to ensure that vulnerable groups have a voice in the community through empowerment and inclusion into mainstream society. The strategies in the medium term will include: (a) focus on their integration into society and the economy through access to productive, social and economic resources, (b) provision of selected short to medium term social protection, and (c) a multi-sectoral disability policy framework, with emphasis on providing access to sector programme interventions. One immediate measure to be undertaken is the formulation and implementation of a national social protection policy for vulnerable citizens on the lines indicated in the strategies listed above.

5.4.6 Promoting Youth Employment and Development

Sierra Leone's population has a high proportion of youths (15-35 years old) and the percentage is growing. The 2003 Pilot Population Census indicates that 33.3 percent of the population is youths (14.6 percent males and 18.7 percent females). Youths therefore constitute a vital component of the country's human resource capacity, capable of making a profound impact on the socio economic, political and security needs of the country. However, the poverty profile shows that the incidence of poverty among the youth is close to 60 percent. This is manifested in the high rate of unemployment and underemployment in their group in both rural and urban areas.

The 15-35 age cohort of the population has undergone a violent and radical transformation in the last 20 years, with serious consequences for the strategies for post-conflict poverty reduction. The pre-war years were characterised by exclusion and low investment in youth development and education, and by negligible real opportunities for employment among young men and women. The war years exacerbated the problem with effective participation of young people in perpetrating violence, arson and murder, engaging in substance and drug abuse and rape, and dismantling the law and order apparatus at all levels. Although the crisis is over, the elements that engaged in these activities, including former combatants, are now part of society in both urban and rural areas.

Against this backdrop, the government views the Sierra Leonean youth challenge as a human development challenge that must be given the attention it deserves in the context of post-conflict peace-building and sustainable poverty reduction. Having borne the brunt of bad governance in the past, the youth now want to see more concrete efforts being made to reverse their circumstances, developing them as a resource for sustainable development, involving them in decision making and creating employment opportunities for them.

Government's policy initiative and programmes undertaken to address the concerns of youth so far include: the creation of a Ministry of Youth and Sports, the national youth policy, national drug control strategy, national HIV/AIDS policy and the national youth development programme, expanded training and educational opportunities for youth across all districts, a baseline study to develop a profile of youth in all districts and the existence of a national Youth

Coalition. Although some of these initiatives have had varying degrees of success, youth development issues continue to pose considerable challenges to society.

The overall objective in the medium term is to promote the development of youth and create the environment for their full participation in social and economic measures that affect them. Government's overall strategy is to ensure that all programmes for poverty reduction in the productive, infrastructure, private and tertiary sectors give priority to the employment and income needs of young men and women in urban and rural areas. This implies that in every sector, government will promote labour intensive methods of implementing its programmes. Particular attention will be paid to youths in food security (especially in agriculture and fisheries), mining, tourism, sanitation, SMEs and the development of infrastructure in rural and urban areas.

Specific strategies for youth development will however be pursued and they will include:

- Setting up a framework for effective youth development and employment policy formulation and implementation involving all stakeholders and the youth themselves at district and national levels;
- Capacity-building and training for unskilled or semi-skilled and unemployed youth, including former demobilised combatants, in the informal sector system and linking them to job opportunities in the private and public sectors in urban and rural areas,
- Promoting the structures for effective social integration of young men and women into mainstream society, and
- Sports development for social cohesion, cultural solidarity, healthy living and above all, as a source of employment and livelihood.

5.4.7 Promoting a Child First Policy

It is now a well established fact that the past war in Sierra Leone succeeded in destroying the lives of a high proportion of children. They have been perpetrators of violence and victims of separation, displacement and violence at the same time. Poverty assessments also conclude that child poverty is not equivalent to adult poverty. As one of the most powerless groups in society, children are often the first casualty of extreme poverty and deprivation at the household level.

The government recognises that childhood is a one-time opportunity for physical, mental, emotional and social development and therefore investing in children is a priority and not a choice. Also child poverty issues are urgent human development priorities that should be addressed in order to break the cycle of violence and build the foundation for lasting peace in Sierra Leone. In the last eight years, government and its partners have been providing support for the welfare of children, especially the war-affected children. Some of these programmes have folded up, especially those set up for emergencies. Currently there are still a handful of active agencies/institutions.

The overall objective in the medium term is to ensure a Child-First approach for the survival, protection and development of children, including disabled and vulnerable children. The medium term strategy of government will focus on:

- Developing a national framework to address the issue of children;
- Improving the services delivered to children in the social sectors, especially in education, health and nutrition;
- Protection measures that support orderly development of children within the family and community;
- Protection in the criminal justice system; and
- Child labour issues.

5.4.8 HIV/AIDS Prevention and Control

It is now widely recognised that HIV/AIDS is a complex, multifaceted problem that has a direct relationship with poverty at all levels. A rapid spread of the HIV/AIDS epidemic could have damaging economic and social consequences for individuals, families, communities and the nation at large. Sierra Leone has all the conditions for a potentially rapid and devastating spread of the HIV/AIDS virus. It is emerging from years of rebel conflict, characterised by widespread rape and unsafe sex; there is low knowledge about the virus among the youth, other risk groups and the public in general; and there is a widespread practice of commercial sex among young men and women. Government is receiving assistance in the fight against the epidemic and technical support in formulating a comprehensive policy framework from its development partners. However, these efforts still need to be stepped up to match the challenge of prevention and care in the medium to long term. Sierra Leone therefore needs urgent assistance to step up efforts to reduce and halt this potential post-conflict epidemic.

Government's medium term objectives are to prevent and control the spread of the epidemic, and to provide care and support for the infected population. This is consistent with the commitment to human resource development and the attainment of the MDGs. The strategies to achieve these objectives include a) focus on priority high-risk groups - youth and adolescents, commercial sex workers, uniformed personnel, migrant populations, truck and taxi drivers - for communication on behavioural change and adoption of safer-sex methods, b) use of social, political and religious structures to transmit awareness of the causes and prevention of HIV/AIDS. In the period 2005-2007, Government will endeavour to integrate prevention strategies in the reproductive health programmes focusing on young men and women, the education system, private sector, and the defence sector. Given the nature of the disease, government will also strengthen the capacity for its management.

5.4.9 Gender Equality and Empowerment

The economic, social, cultural and political status of women in society has been identified as a major determinant of the poverty status of a country. Recognition of their role and empowering women is critical to poverty reduction at household level and to overall national development. In Sierra Leone, although women constitute an estimated 51.3 percent of the population, their status is low and is steeped in deep structural discrimination by traditional custom and law.

Government fully appreciates the challenges women face at household level and in the community, in accessing protection and justice, social and economic opportunities, and seeking overall advancement. Some of the specific challenges to be addressed in the medium term include (a) gender-based violence, (b) barriers to women's economic empowerment, especially in terms of access to markets, training, finance, infrastructure, technology, education, counselling and entrepreneurship development to build on their social capital, (c) exploitative or hazardous forms of livelihood of poor, unskilled women and girls, especially commercial sex workers, and (d) inadequate sensitisation and education on gender and development issues.

Government and gender-sensitive civil society organisations have adopted various measures in the past decade to address some of the concerns of women. These include institutional arrangements such as setting up a separate Gender Ministry, special women-focused programmes for credit, initiatives in education and agriculture. Government has also signed major international and regional human rights instruments, including the ratification of the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and its Optional Protocol. However, more radical progress is required in the situation of women in Sierra Leone to enhance their effective contribution to the reduction of poverty and the attainment of critical PRSP objectives and MDGs.

The overall objective is to work towards gender equality, equity and empowerment, as well as promotion and protection of the human rights of women in the process of achieving poverty reduction and sustainable economic growth. In recognition of their importance in all key productive, infrastructural, tertiary and human development sectors, gender-related issues have been mainstreamed into the sector strategies and programmes under each pillar. Additional strategies will focus on establishing a legal framework to address gender-based violence, increasing their participation in decision making and reducing the exposure of women and the girl child in particular to sexual exploitation and abuse. As with all cross-cutting issues, government will develop a framework for coordination, advocacy and monitoring.

5.4.10 Better Environmental Management

Among the key challenges in Sierra Leone's poverty reduction drive are to recognise the inevitable linkages between poverty and the environment, and to work towards better environmental management for sustainability. In this context, the most significant environmental protection problems on which government will focus in the medium term include: (a) land degradation, deforestation and biodiversity loss, (b) mined-out lands, (c) urban degradation and pollution, and (d) erosion from road construction and urbanisation.

Given the multi-sectoral nature of environmental issues and the need for effective introduction of environmentally friendly strategies at the sector level, most of the measures identified during the field assessments have been mainstreamed into various sectors. Government's specific environmental objectives and strategies in the medium term will be to reduce the impact of environmental risks by formulating and/or implementing sound environmental policies to cope with the problems listed above.

Critical to all of these is an improvement in the institutional framework governing the management of the environment. This institutional improvement will be pursued in order to achieve better coordination and planning among the stakeholders, establish an effective regulatory framework, and enforce standards and guidelines. It will contribute significantly to the implementation of the National Environmental Protection Act, the existing National Environment Policy (NEP) and National Environment Action Plan (NEAP). These measures need to be addressed to ensure effective and comprehensive solutions to the environmental problems posed for poverty reduction.

CHAPTER SIX

COSTING AND FINANCING OF THE PRSP

6.0 Introduction

It has been clearly demonstrated in the preceding chapters that, as a post conflict country, Sierra Leone's reconstruction and development needs are immense. In addition to the widespread poverty that already exists, institutions, infrastructure and the key productive sectors – agriculture, mining and manufacturing – remain severely damaged. The purpose of this chapter is to detail the estimated cost for implementing the PRSP as prioritised. The chapter also gives an estimation of the amount of resources available to the country during the implementation period and against which an estimated financing gap is established. The medium term macroeconomic and structural policy priorities on which these estimates are based are presented in Chapter Four.

6.1 Costing Methodology

The PRSP pillars are divided into thematic areas. Each thematic area has a set of objectives, and the accompanying programmes and activities to achieve them. The programmes and projects are underpinned by the analysis of the extent, causes and determinants of poverty in Sierra Leone. They are identified at the sectoral level as either ongoing or new programmes and projects. Investment costs are shown, and their impact on growth, food security and job creation is taken into consideration. The PRSP is costed by using an Activity-oriented Costing Process and a bottom-up approach. The costing exercise is carried out by looking at the distinct processes and items evolving from the programmes and activities that are envisaged. It focuses on the initial phase of the PRSP (2005-2007). Each programme or project has therefore been shown as having an implementation duration of these three years, and the costing of each projected investment has been broken down to show annual costs for the three years of PRSP implementation. However, since some of the projects and programmes will go beyond the span of the PRSP implementation, the remaining total sum can only be determined after this period. Detailed profiles of such projects and programmes would be prepared to facilitate effective implementation follow-up.

In an environment where the main focus of macroeconomic stabilisation and public debt sustainability – the key to promoting growth – has been towards managing the fiscal deficit and other key macroeconomic indicators, generating resources and undertaking expanded expenditures to fully support the PRSP are formidable tasks. Sierra Leone's absorptive capacity must also be taken into account. Other important considerations include the trade-off between defence and non-defence expenditure, as well as the lack of clear distinctions between poverty-related and non-poverty-related expenditures, and between recurrent and development expenditures. In the context of Sierra Leone's post conflict situation and widespread poverty, it can be argued that almost the entire budget in recent years and the ensuing three-year PRSP period is poverty-focused, thus blurring the distinction between recurrent expenditure and development expenditure. By the same argument, it is further assumed that almost all sectors and sub-sectors in the budget are poverty-focused, including the security sector.

This document presents a detailed costing of the entire PRSP, taking into account each programme's recurrent and development expenditure needs. The programmes and activities are, as far as necessary, broken down into sub-activities, and the bottom-up approach used to cost them and the processes involved in implementing them. The costs assigned to programmes are therefore total and not partial costs, with all cost items being allocated fully to each programme. Potential cost sharing between programmes has not been considered, largely because of the assumed weakness of sectors and institutions involved in strategic planning and programme implementation. The advantage of this approach is that the required capacity building for implementing successive cycles of the PRSP is integrated at an early phase of the strategy.

6.1.1 Costing Limitations

Ideally, initial costing of Sector Programmes should have been conducted under budget constraints with due consideration to cost-sharing opportunities. This would have required that expenditure ceilings be communicated to sector working groups by the MoF, indicating a preliminary, policy-based share between PRSP expenditures and expenditure on other current Government operations. The sector working groups would then, under those circumstances, have prioritised programmes taking cognisance of their expenditure ceilings, and submitted expenditures for PRSP programmes. The estimates would then preferably have been submitted under a standard expenditure classification format, as for instance, personal emoluments, purchase of goods and services and capital expenditures.

The estimates now proposed for the priority programmes and projects of the PRSP should therefore be considered as indicative cost estimates before a close re-prioritisation of programmes and budget lines. The exercise of costing sector programmes under budget constraints will be conducted again during 2005 when more information on Medium Term Expenditure Framework (MTEF) assumptions could be verified.

Critical problems were also encountered relative to the institutional environment in which the costing exercise was carried out. Weak planning capacity, both physical and human, at sector levels presented a major limitation in the costing exercise. To address the capacity problems, a capacity building programme has been included in the PRSP. Also, the new Integrated Financial Management Information System (IFMIS), which is currently being developed, is the focus of public financial management reforms, will be instrumental in costing exercises in future.

6.2 Programme Cost Estimates

In costing the PRSP, it is necessary to make the following key assumptions:

- The direct contribution of government resources in financing PRSP-related investments is expected to increase significantly because of the weak private sector capacity.
- Any analysis of pro-poor expenditures must not restrict itself to PRSP public-sector expenditures alone. A large additional amount is expended for alleviating poverty

- through NGOs, donors, and philanthropy, which is not captured in the PRSP budgetary expenditures.
- PRSP expenditures do not include a large quantum of household contribution to poverty alleviation through varied mechanisms, including cost recovery charges, extended family expenditure and other voluntary contributions and charges, which make up the gaps in service delivery.

The needs assessments that underpinned the PRSP indicate that Government will need to incur higher spending on priority projects and programmes than originally projected under the MTEF, in order to realize the PRSP objectives and to finance their implementation. MTEF projects and programmes are included in the PRSP projects and programmes as prioritised. However, new and/or expanded programmes and projects that were not reflected in the PRGF medium-term activity profile have emerged in the PRSP prioritisation exercise, in order to help reduce the gap between the current situation and the MDGs. Since the Government is seeking to realise the MDGs, without which Sierra Leone would lag behind in development and poverty reduction, it is necessary to undertake and secure financing for these new and/or expanded programmes. The additional projected expenditures that the PRSP creates will have to be funded by new resources from both Government and its development partners over and above what is already factored into the MTEF. Annex 4 contains a detailed list of all programmes and projects and their costs on an annual basis.

The MTEF programmes and projects were prioritised because of resource and capacity constraints in implementing them during this first phase of the PRSP, within an established macroeconomic framework. Prioritisation of the programmes was necessary because of capacity constraints, so as not to spread physical and human resources too thinly, and to ensure that the PRSP is implemented smoothly. However, there will be need to reorganise the Government machinery in order to cope with the increased levels of spending.

Civil Service wages and salaries are poverty-related and are therefore part of the PRSP estimates, including the estimated cost of implementing the proposed Senior Executive Service programme. However, this aspect will be reflected in the assessment of the capacity building requirements for successful implementation of the PRSP, including three basic aspects: cost of functional reviews of MDAs; staffing structure; and salary structure.

Table 6.1 shows the total cost of priority projects and programmes under the PRSP for the 2005-2007 period, compared with the poverty related expenditure included in the current MTEF. At current prices, the total PRSP costs are estimated at Le5,315 billion, as against a total projected MTEF poverty-related expenditure of Le2,428 billion. The additional expenditure required to implement the PRSP fully is therefore estimated at Le2,886 billion, or US\$941 million. For purposes of comparison, it should be noted that total debt service payments during the three year period are estimated at Le374 billion of interest and Le322 billion for capital repayments.

Table 6.1: MTEF Projections and PRSP Cost Estimates, 2004-2007

| | 2004 | | 2005 | | 2006 | | 2007 | | 2005-7 |
|---|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|----------|--------------------|
| | Estimate | | Budget | | Budget | | Budget | | Total |
| | Le million | % of GDP | Le million | % of GDP | Le million | % of GDP | Le million | % of GDP | Le million |
| Total PRSP Expenditure Requirement | | | 1,786,780.0 | 53.3 | 1,736,157.0 | 45.9 | 1,792,049.0 | 42.5 | 5,314,987.0 |
| Total MTEF Poverty-Related Recurrent Expenditure | 419,144.0 | 14.7 | 460,399.0 | 13.7 | 510,827.0 | 13.5 | 561,721.0 | 13.3 | 1,532,947.0 |
| Non Salary, Non Interest Recurrent Expenditure | 245,318.0 | 8.6 | 266,272.0 | 7.9 | 292,254.0 | 7.7 | 317,853.0 | 7.5 | 876,379.0 |
| Wages and Salaries | 173,826.0 | 6.1 | 194,127.0 | 5.8 | 218,573.0 | 5.8 | 243,868.0 | 5.8 | 656,568.0 |
| Total MTEF Poverty-Related Development Expenditure | 196,585.0 | 6.9 | 335,847.0 | 10.0 | 336,042.0 | 8.9 | 223,654.0 | 5.3 | 895,543.0 |
| Domestic | 25,563.0 | 0.9 | 35,065.0 | 1.0 | 46,598.0 | 1.2 | 50,217.0 | 1.2 | 131,880.0 |
| Foreign | 171,022.0 | 6.0 | 300,782.0 | 9.0 | 289,444.0 | 7.7 | 173,437.0 | 4.1 | 763,663.0 |
| Total MTEF Poverty-Related Expenditure | 615,729.0 | 21.6 | 796,246.0 | 23.7 | 846,869.0 | 22.4 | 785,375.0 | 18.6 | 2,428,490.0 |
| Additional Requirements for PRSP (Le million) | | 0.0 | 990,534.0 | 29.5 | 889,288.0 | 23.6 | 1,006,674.0 | 23.9 | 2,886,496.0 |
| Additional Requirements for PRSP (\$US million) | | | 335.7 | | 296.4 | | 309.7 | | 941.8 |
| Nominal GDP | 2,854,489.4 | 100.0 | 3,353,064.0 | 100.0 | 3,775,312.3 | 100.0 | 4,212,226.0 | 100.0 | |

The cost of the PRSP by Pillar is shown in Table 6.2. Expenditure for Pillar 1, promoting good governance, peace and security is estimated at Le1,818 billion (or 34.2 percent of the total amount required). A total amount of Le1,812 billion (34.1 percent of total) is required for Pillar 2, to support the key sectors that will ensure growth and the achievement of food security and job creation, while the cost of Pillar 3, promoting human development, including provision for the vulnerable, is estimated at Le1,686 billion (31.7 percent of total).

Table 6.2: SL-PRSP: Indicative Costs of PRSP by Pillar (in million of Leones)

| | 2005 | | 2006 | | 2007 | | TOTAL | |
|---|---------------|----------|---------------|----------|---------------|----------|---------------|------------|
| | Leone million | % of GDP | Leone million | % of GDP | Leone million | % of GDP | Leone million | % of Total |
| Total Required Expenditure for Priority Areas (Leone million) | 1,786,779 | 53.3 | 1,736,157 | 45.9 | 1,792,049 | 42.5 | 5,314,987 | 100.0 |
| Pillar 1: promoting good governance, peace and security | 561,746 | 16.8 | 580,591 | 15.4 | 675,299 | 16.0 | 1,817,638 | 34.2 |
| Pillar 2: Promoting pro-poor sustainable economic growth | 698,814 | 20.8 | 600,594 | 15.9 | 512,055 | 12.2 | 1,811,464 | 34.1 |
| Pillar 3: Promoting Human Development | 526,218 | 15.69 | 554,971 | 14.7 | 604,693 | 14.4 | 1,685,884 | 31.7 |
| Total Required Expenditure for Priority Areas (US\$ million) | 602.2 | | 557.0 | | 547.7 | | 1,624.4 | |

6.4 PRSP Resource Envelope, 2005-2007

The main revenue policy objective of the Government is to strive as much as possible to mobilise adequate domestic resources as the primary source of addressing the poverty programme. External assistance will play a critical role in funding existing financing gaps that cannot be met through domestic resources. This approach is consistent with the HIPC initiative and sets the stage for continuing development co-operation in the current international context. Government is committed in the medium term to focus on domestic revenue mobilisation so as to reduce the heavy reliance on external budgetary support in the form of loans and grants. Experience in the immediate past has however shown that while donor funding has significantly contributed in financing post-conflict reconstruction requirements, the amount of these resources would have to be substantially stepped up for the country to make big progress in national reconstruction. Furthermore, delays and uncertainty in the release of donor funds had also resulted in enormous recourse to deficit financing through bank financing, which contributed towards the current high rate of inflation.

Domestic revenue collection improved from 12.1 percent of nominal GDP in 2001 to 12.4 percent of nominal GDP in 2004. The resource envelope presented in Table 6.3 depicts that domestic revenue collection is expected to improve further in the medium term to 15.7 percent of nominal GDP by 2007. However, in nominal percentage terms, the domestic revenue collection is expected to increase by 22.7 percent in 2005, 26.9 percent in 2006 and 19.9 percent in 2007, as the economy slowly recovers from war damage, and revenue generating institutions begin to operate more effectively. The

anticipated improvement in domestic revenue collection would be a result of the Government's revenue mobilisation efforts, with the establishment of the National Revenue Authority and other control measures.

In order to foster economic growth through economic and political stability, public sector borrowing requirements will be allowed only limited expansion in order not to disrupt the current macro-economic targets under the PRGF. As per the PRGF, total government expenditure will be allowed to expand by 23.5 percent. It will reduce from 0.3 percent of Nominal GDP in 2004 to a repayment of 1.9 percent in 2007. Also, efforts will be made to mobilise domestic resources vis-à-vis external resources. The level of domestic resources is expected to rise from 12.7 percent of Nominal GDP (or 47.2 percent of total budgetary resources) to 13.9 percent of Nominal GDP (or 64.0 percent of total budgetary resources) whilst the level of external resources is expected to fall from 14.2 percent to 7.8 percent of nominal GDP (or from 52.8 percent to 36.0 percent of total budgetary resources). This appears consistent with the return to peace and the gradual take-over of domestic development efforts from external support. It can be seen from the resource framework table that the percentage of domestic revenue to recurrent expenditure (domestic revenue as a share of recurrent expenditure) is expected to grow sharply from 67.1 percent in 2004 to 86.4 percent in 2007, showing the Government's effort to address PRSP implementation and to maintain a high level of Government operations.

6.5 PRSP Financing Gap

Consistent with the Budget Speech of the Hon. Minister of Finance in December 2004, the PRSP comprises Government's main programme over the next three years. To quote: "This Budget is a defining instrument towards the achievement of Sierra Leone's new development agenda, as articulated in the new country-owned and country-led Poverty Reduction Strategy Paper (PRSP), and links with the Millennium Development Goals".

Table 6.3: Sierra Leone - Projection of Budgetary Resources, 2005-2007 (in millions of Leones)

| | 2004 | 2005 | 2006 | 2007 |
|--|------------------|------------------|------------------|------------------|
| Total Budgetary Resources | 770,035.3 | 928,781.3 | 977,239.9 | 916,568.2 |
| Domestic Resources | 363,721.4 | 472,608.7 | 569,499.3 | 586,928.2 |
| Domestic Revenue | 354,423.5 | 434,980.7 | 552,200.3 | 662,327.2 |
| Domestic Financing (net) | 9,246.0 | 34,628.0 | 12,299.0 | - 80,399.0 |
| of which: Bank financing | - 49,398.3 | 14,628.0 | -1,702.0 | -64,659.0 |
| Privatisation Receipts | 51.9 | 3,000.0 | 5,000.0 | 5,000.0 |
| External Resources | 406,313.9 | 456,172.6 | 407,740.6 | 329,640.0 |
| Grants | 274,729.3 | 343,125.3 | 346,357.2 | 300,416.6 |
| Project Grants | 71,440.1 | 155,546.7 | 158,403.8 | 78,597.2 |
| Programme Grants | 111,424.5 | 106,908.0 | 124,879.4 | 127,948.4 |
| HIPC Debt Relief | 91,864.6 | 80,670.6 | 63,074.0 | 93,871.0 |
| Loans | 190,814.8 | 204,235.0 | 177,502.5 | 143,625.6 |
| Project Loans | 108,647.1 | 145,235.0 | 131,040.0 | 94,840.0 |
| Programme Loans | 82,167.6 | 59,000.0 | 46,462.5 | 48,785.6 |
| Amortisation + Change in foreign Arrears | - 84,323.4 | - 91,187.7 | -116,119.1 | - 114,402.3 |
| Debt Relief | 25,093.3 | - | - | - |

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Nominal GDP | 2,854,489.4 | 3,353,064.0 | 3,775,312.3 | 4,212,226.0 |
| Memorandum Items | | | | |
| increase in Domestic Revenue | | 22.7 | 26.9 | 19.9 |
| of total domestic resources to nominal GDP | 12.7 | 14.1 | 15.1 | 13.9 |
| of domestic revenue to nominal GDP | 12.4 | 13.0 | 14.6 | 15.7 |
| of domestic financing to nominal GDP | 0.3 | 1.0 | 0.3 | -1.9 |
| of external resources to nominal GDP | 14.2 | 13.6 | 10.8 | 7.8 |
| of total domestic resources to total resources | 47.2 | 50.9 | 58.3 | 64.0 |
| of domestic revenue to total resources | 46.0 | 46.8 | 56.5 | 72.3 |
| of domestic financing to total resources | 1.2 | 3.7 | 1.3 | -8.8 |
| of external resources to total resources | 52.8 | 49.1 | 41.7 | 36.0 |
| of domestic revenue to recurrent expenditure | 67.1 | 80.3 | 89.1 | 86.4 |

As indicated earlier in this chapter, Government of Sierra Leone has already defined a Medium Term Expenditure Framework, consistent with the Poverty Reduction and Growth Facility of the International Monetary Fund. The MTEF is fully funded in terms of estimated domestic revenue generation, donor budgetary support including project loans and grants, and domestic bank and non-bank credit. However, as defined in Table 6.1, required expenditure for PRSP implementation over the three-year period will amount to Le5,314 billion or US\$1.7 billion, as against an MTEF poverty-related budget of Le2,875 billion or US\$780 million, resulting in additional expenditure requirements amounting to Le2,886 billion or US\$941 million. For the current fiscal year 2005, the expenditure shortfall is estimated at Le990 billion or US\$ 335 million.

The projected Financing Gap, defined by the difference between the projected PRSP expenditures as prioritised and the indicative resource envelope to support MTEF poverty-related expenditures, is presented in Table 6.4, and amounts to Le2, 886 billion or US\$941.0 million for 2005-2007.

Table 6.4: Low Case Scenario Funding Gap, 2005-2007 (million Leones)

| RESOURCE ENVELOPE | 2004 | 2005 | 2006 | 2007 | 2005-2007 |
|---|-------------|-------------|-------------|-------------|------------------|
| Domestic Resources | 363,721.4 | 472,608.7 | 569,499.3 | 586,928.2 | 1,629,036.2 |
| External Resources | 406,313.9 | 456,172.6 | 407,740.6 | 329,640.0 | 1,193,553.2 |
| Total Budgetary Resources | 770,035.3 | 928,781.3 | 977,239.9 | 916,568.2 | 2,822,589.4 |
| Less Total Interest Payment | 123,124.0 | 128,036.0 | 128,236.0 | 117,619.0 | 373,891.0 |
| Less Change in Arrears | 7,974.0 | 4,500.0 | 2,135.0 | 2,135.0 | 8,770.0 |
| NET BUDGETARY RESOURCES | 638,937.3 | 796,245.3 | 846,868.9 | 796,814.2 | 2,439,928.4 |
| PRSP REQUIRED EXPENDITURE | | 1,786,779.0 | 1,736,157.0 | 1,792,049.0 | 5,314,987.0 |
| INDICATIVE FUNDING GAP | | | | | |
| INDICATIVE FUNDING GAP (in US\$ million) | | 335 | 296 | 909 | 941 |
| Exchange Rate, Le/US\$ | | 2,950 | 3,097 | 3,252 | |

The financing gap presented in Table 6.4 assumes that the indicative MTEF resources will exclusively be addressed to PRSP programmes as presented in Table 6.1. This

assumption is not realistic, considering Government's statutory expenditures and other important operations expenditures, which cannot be recycled for PRSP programs. It is therefore safe to consider the above funding gap as a low case scenario under the assumption that Government's statutory expenditures and other operational expenditures are zeroed.

In this respect, a more realistic scenario is the assumption that a certain percentage of MTEF resources will be allocated to non-PRSP programmes. This second, High Case, scenario (Table 6.5) assumes that up to 80 percent of total resources net of interest and arrears payments will be dedicated to achieving the PRSP objectives during 2005-2007. Under that assumption, the indicative funding gap amounts to slightly above US\$1 billion; total required assistance is approximately US\$360 million per annum during the first cycle of PRSP implementation.

The second, High Case, scenario is more in line with the outcome of the 2002 Consultative Group meeting, in which donors pledged approximately US\$600 million. It must be realised that the current state of institutions would be inadequate to address the most urgent deprivation levels in the social services and economic sectors. The institutional situation should also be viewed as a possible risk factor for the absorptive capacity of central and local government structures. Consequently, the required assistance should include substantial technical assistance for institutional strengthening measures, at least for the first two years, in order to jump start operations leading to better poverty outcomes by 2007.

Table 6.5: High Case Scenario: Funding Gap, 2005-2007 (million Leones)

| RESOURCE ENVELOPE | 2004 | 2005 | 2006 | 2007 | 2005-2007 |
|---|-------------|-------------|-------------|-------------|------------------|
| Domestic Resources | 363,721.4 | 472,608.7 | 569,499.3 | 586,928.2 | 1,629,036.2 |
| External Resources | 406,313.9 | 456,172.6 | 407,740.6 | 329,640.0 | 1,193,553.2 |
| Total Budgetary Resources | 770,035.3 | 928,781.3 | 977,239.9 | 916,568.2 | 2,822,589.4 |
| Less Total Interest Payment | 123,124.0 | 128,036.0 | 128,236.0 | 117,619.0 | 373,891.0 |
| Less Change in Arrears | 7,974.0 | 4,500.0 | 2,135.0 | 2,135.0 | 8,770.0 |
| NET BUDGETARY RESOURCES | 638,937.3 | 796,245.3 | 846,868.9 | 796,814.2 | 2,439,928.4 |
| Less 20% for Non-PRSP Expenditure | | 159,249.1 | 169,373.8 | 159,362.8 | 487,985.7 |
| NET RESOURCES AVAILABLE FOR PRSP | | 636,996.2 | 677,495.1 | 637,451.4 | 1,951,942.7 |
| PRSP REQUIRED EXPENDITURE | | 1,786,779.0 | 1,736,157.0 | 1,792,049.0 | 5,314,987.0 |
| INDICATIVE FUNDING GAP | | 1,149,783.3 | 1,058,662.9 | 1,154,598.0 | 3,363,043.0 |
| INDICATIVE FUNDING GAP (in US\$ million) | | 389.8 | 341.8 | 355.0 | 1,086.6 |
| Exchange Rate, Le/US\$ | | 2,950 | 3,097 | 3,252 | |

It will however be also necessary to define a macroeconomic framework that is consistent with the additionality required for PRSP implementation. Based on the macroeconomic framework underpinning the MTEF budget for 2005-2007, it can be assumed that a

growth rate of almost twice the MTEF growth rate of 6 to 9 percent could be targeted during the period. However, given the capacity constraint for PRSP implementation, it would be realistic to assume a minimum growth rate of 12 percent during the PRSP period.

CHAPTER SEVEN

IMPLEMENTATION ARRANGEMENTS AND CAPACITY-BUILDING

7.0 Introduction

The institutional setting and human resource capacity for implementation of the national programmes to realize Government's development objectives are weak. These weaknesses have been a major source of concern to three key groups of stakeholders: the Government, the people, and the donor community. The poor service delivery record of the public sector has already been established. In many instances, this has led to a low capacity to absorb the resources provided for promotion of sectoral goals. Recent post-war experience with implementation of the national recovery strategy have also glaringly indicated the dire need for better public sector delivery structures and capacity. The implementation of the PRSP will not be an exception to this trend if effective and credible coordination, implementation, supervisory and monitoring systems are not put in place at all levels of governance.

The implementation of the PRSP will be the responsibility of all Sierra Leoneans. The general framework for implementation will consist of the central Government, the newly established District, City and Town Councils, civil society (including NGOs and community based organisations) and the private sector. Effective collaboration and coordination among these entities will be crucial to effective implementation of the poverty reduction strategy.

The central Government will play the leading role and has overall responsibility for implementation of the PRSP. The line ministries, national commissions and other agencies already have statutory responsibilities for formulating policies, designing programmes, and supervising public sector interventions to address the needs of the population. Each of these central bodies has provincial and district level units or branches responsible for implementing, supervising and/or monitoring programmes at those levels. However, with the decentralisation of governance and the establishment of 19 representative local government structures across the country, the traditional role of central government will drastically change. Although sector policy decisions and budgeting will be retained at the centre, most other functions will be devolved over time.

- The Local Government Act, 2004 and Government's Devolution Plan already envisage a radical shift. The main thrust of the change involves both administrative and fiscal decentralisation to elected local councils to replace the erstwhile management committees appointed by the Head of State. The local councils will take over responsibility for supervising and monitoring the implementation of all programmes in each district. The actual timeframe for devolution of responsibilities and authority will be established in the next six months.

- NGOs, civil societies and community-based organisations will continue to have a role to play in implementation. The PRSP will provide the framework for their operation and partnership with public and private institutions

7.1 Coordination and Implementation Framework

A large number of institutions will be involved in the implementation of the programmes in the PRSP at all levels – national, district, chiefdom and ward – to reflect the diversity of interests expressed in the participatory phase of the process. The coordination and implementation arrangements will be structured in a flexible manner to accommodate the diverse entities in Government, civil society, local communities and the private sector. The framework is shown in Figure 7.1.

7.1.1 National Level Coordination

At national level, three coordination bodies will be set up to provide the necessary oversight and leverage required for timely, effective and efficient implementation of this first phase of the PRS, namely, an Inter-Ministerial Committee (IMC), a National Technical Committee (NTC), and a Poverty Reduction Strategy (PRS) Secretariat.

(a) Inter-Ministerial Committee

At the highest political level, all PRSP programmes will be guided by an Inter-ministerial Committee (IMC) approved by Cabinet and under the Chairmanship of the Vice President. The Committee will be responsible for overseeing the PRSP process and provide the necessary policy guidance for programme implementation. This committee will also work closely with Parliament and lead dialogue with donors through the Development Partnership Committee (DEPAC) or other appropriate structures.

(b) National Technical Committee

The NTC comprises the technical Heads of selected Ministries, Departments and Agencies of Government as well as representatives of civil society, NGOs and the donor community involved in the implementation of the PRS. The Committee will have responsibility for (a) coordinating implementation of the PRS and developing a results framework for each sector, (b) reviewing sector progress and annual plans, (c) reviewing district reports and annual plans, and (d) promoting civil society/NGO participation in implementation. The NTC will provide technical and professional guidance for PRSP implementation, and will inform the IMC about progress and problems. The committee will be chaired by the PRS Secretariat and supported by MoDEP and MoF.

(c) PRS Secretariat

In the first year of implementation, the Government will set up a PRS Secretariat in the Office of the Vice-President to provide technical support to the IMC and the NTC, and to support MDAs and CSOs to fast track PRSP operationalisation. Other key functions of the Secretariat will include: (a) to set up and coordinate a participatory monitoring and evaluation system in the relevant MDAs, (b) to support the development of a results framework and monitor the outcome from all sectors and districts, (c) to coordinate the

preparation of the first annual report on PRSP implementation, and (d) to work collaboratively with some of the structures established for preparation of the PRSP, to update sector reviews and assessments. It will collaborate with all stakeholders (MoF, MoDEP, sector ministries, Local Councils, Civil Society, etc) in implementation coordination, monitoring and evaluation. The institutional location of the Secretariat will be evaluated in the second year of implementation of the PRS after a comprehensive functional review of MoDEP and MoF.

7.1.2 District and Sub-District Coordination

In line with government's decentralisation programme, coordination structures will be set up in each district to support planning, implementation and monitoring of the Poverty Reduction Strategy. All district councils have set up a development planning committee or district development committee. These committees will coordinate implementation of the PRSP at district level. They will comprise district/town councillors, district representatives of line ministries and NaCSA, international agencies, NGOs and representatives of civil society, under the chairmanship of the district council chairman. The committees will (a) coordinate implementation of the poverty reduction programme at the district level, and (b) prepare regular progress reports and an annual operational plan and budget for review by the PRS Technical Secretariat and the NTC.

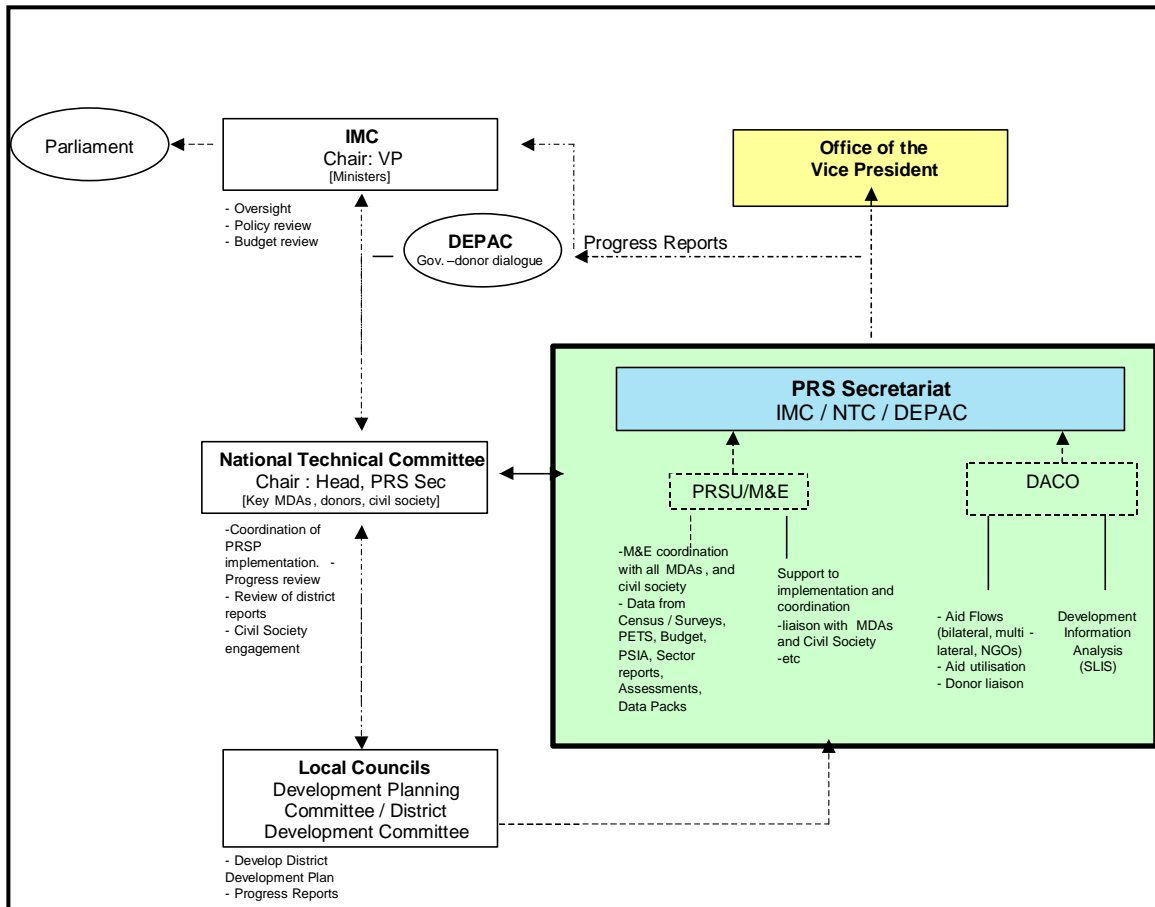
7.2 Development Assistance Coordination for PRS Implementation

In collaboration with its development partners, Government has already set up a two-tier structure for aid coordination. The first part of the structure is the DEPAC, which is the organ for policy dialogue between government and the development partners under the co-chairmanship of the Vice-President of the Republic of Sierra Leone, UNDP and the World Bank. DEPAC became operational in March 2003 and has been meeting bi-monthly in Freetown since then. Tremendous efforts and gains have been made in the last two years in coordination of support to the government's IPRSP and the NRS through DEPAC. The second tier is the Development Assistance Coordination Office (DACO) in the Office of the Vice-President which became operational in January 2004 to serve as the technical support structure and Secretariat to DEPAC. DACO is also the focal point for coordination of development assistance from external sources, including both financial and technical assistance through multilateral, bilateral and NGO sources.

Government favours the strengthening of the DEPAC mechanism in order to effectively coordinate resource mobilisation and reduce the transaction costs of managing donor assistance to the poverty reduction programmes in the next three years. As the PRSP will provide the national policy framework for all stakeholders, the present DACO will continue to provide the Secretariat for DEPAC and play a liaison function for all donors. Principally, it will monitor donor assistance flows through the government budget and projects and the NGOs, and analyse aid utilisation in all sectors and Districts. DACO's work will also entail regular analysis of development assistance information for government and its partners. Government will subsequently consolidate the functions of

DACO in the PRS Secretariat in the Office of the President to ensure effective oversight and timely support to the coordination structures at national and district levels.

Figure 7.1: Poverty Reduction Strategy Coordination Mechanism



7.3 PRSP Implementation Linkages with the MTEF

The PRSP is envisaged to be both a planning and resource-programming tool. The Programme will roll over every three years. It will be the country’s medium-term poverty reduction strategy framework; PRSP planning, implementation, monitoring and evaluation will follow the principle of broad stakeholder participation and input. PRSP implementation will aim at improving current expenditure planning, management and tracking systems with a view to maximising the impact of the government’s development programme.

An MTEF has already been established by government in collaboration with the donor community (and civil society). As clarified in Chapter 6, the MTEF is the key resource allocation tool for the PRSP, linking PRSP policies to government’s budgetary commitments, and hence to the macro-economic framework. The annual budget will be the primary instrument for effecting expenditures for PRSP priorities. Within the three-

year period, MoDEP and MOF will synchronise the PRSP, MTEF and Public Investment Programme to ensure greater efficiency and effectiveness in implementing the Poverty Reduction Strategy.

7.4 Capacity Building for Implementation

Implementation of the PRSP cannot be divorced from capacity building in its widest sense and at all levels. The small number and poor quality of institutions, systems of service delivery and human resources are recognised as some of the key obstacles to an effective absorption of resources and any significant progress in achieving the government's poverty reduction goals. Capacities for programme design, implementation, economic and financial management in the public and non-public sectors have declined progressively over the last two decades due to several factors, including bad recruitment, absence of realistic human resource planning, training and lack of a retention plan. These problems were compounded by the civil conflict. Reversing the trend is central to reversing the decline in service delivery, especially in the rural areas.

The country has managed to go through a challenging national recovery phase, with the active support of the international community through extensive technical assistance in some critical sectors. Government's efforts have focused largely on gap filling by establishing separate programme implementation units in all key MDAs manned by short-term consultants, with contract workers being engaged to fill strategic staff positions in the civil service. As the country moves from a relief and recovery phase to a development phase, with the implementation of a comprehensive PRSP, it has become imperative for capacity building to be brought into sharper focus with a longer-term perspective. Also, a major shift and re-orientation are required from technical assistance, towards the building of indigenous human and institutional capacity.

Government had identified the need for capacity building since 1996 when a National Good Governance and Public Services Reform Programme was launched with strong support from the UK-DFID. The environment for full implementation of this programme was less than conducive in the first five years on account of the insecurity in most of the country before 2002. Implementation gained momentum since then through the establishment of a Governance Reform Secretariat. Other donors (notably EU, UNDP, AfDB and the WB) have since provided strong support to capacity-building, especially through the Public Sector Management Reform Support Programme which closed in 2004, and the new Institutional Reform and Capacity-Building Programme.

Although some improvements have been made in upgrading capacity and restoring some measure of competence in some parts of the public service, there is still a need to build more capacity to match the demands of the PRSP, both within and without the public sector. The urgency of the problem is underscored by the need to upgrade the capacity of the newly-established district, city and town councils, to meet the challenges of local governance as implied in the wide-ranging functions to be devolved according to the Local Government Act 2004.

Recent reviews of the various sectors involved with PRSP implementation have identified specific actions (summarised in Annex 3) that are needed at various levels to achieve sector objectives for reducing poverty. These actions require a significant increase in the capacity of implementing institutions, in terms of both human and material resources. The successful implementation of the PRSP will depend, to a large extent, on enhanced institutional capacity for policy analysis, planning, coordination and implementation, monitoring and evaluation of critical programmes and projects.

Government will require substantial support from its development partners over the short to medium-term to coordinate and achieve the following capacity building requirements:

- Identifying the administrative, technical and logistical needs of Ministries, Departments and Agencies of Government, Civil Society (including NGOs) and the private sector involved in the implementation of the PRSP;
- Determining training needs, relevant training programmes, and sources of sponsorship for technical and managerial staff training;
- Providing the necessary administrative, technical and logistical support for implementing institutions and agencies;
- Establishing relevant and effective management information systems and coordination mechanisms; and
- Support for a realistic performance and competence-based wage structure that will ensure maximum retention of qualified personnel in the public sector.

CHAPTER EIGHT

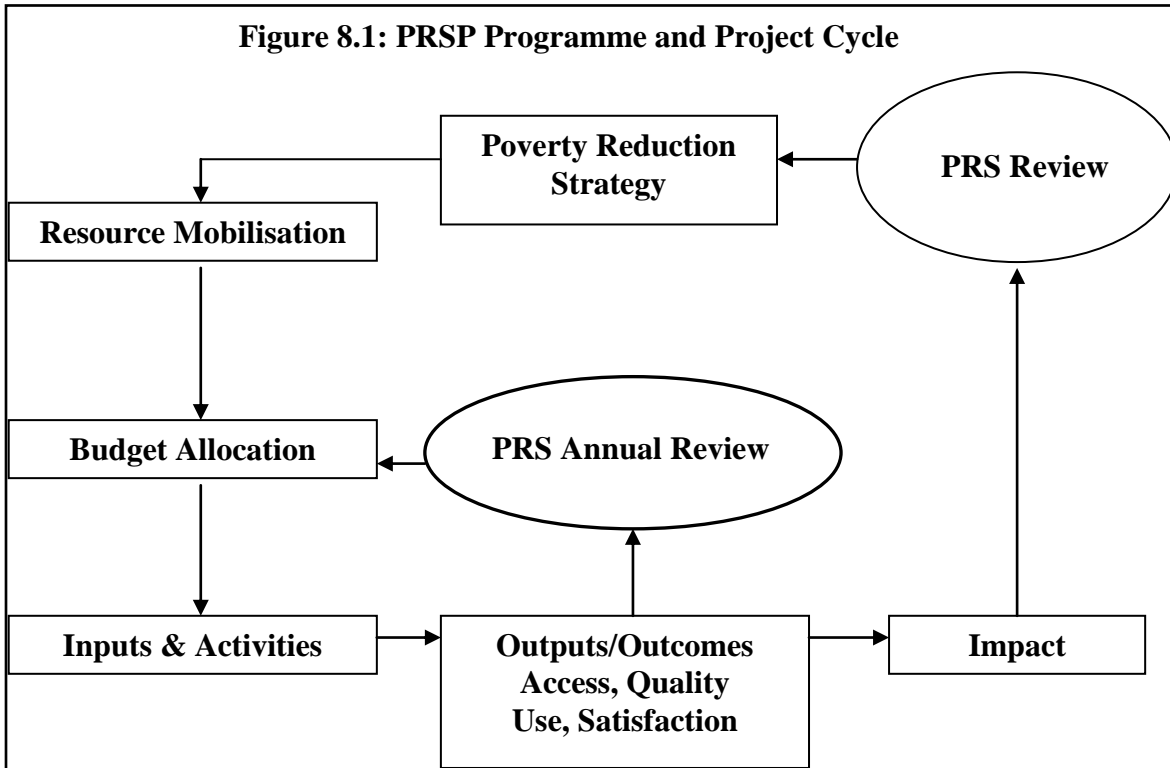
MONITORING AND EVALUATION

8.0 Background and Conceptual Framework

In Sierra Leone's immediate post-conflict phase, the Interim Poverty Reduction Strategy Paper had made provision for a limited monitoring and evaluation system, focusing mainly on progress in recovery strategies during the transition period. The process included indicators on the basic macro-economic aggregates, disarmament, demobilisation and reintegration of ex-combatants, and resettlement of internally displaced persons and refugees. Aspects of service delivery, particularly relating to the education and health sectors, were also covered. However, no coordination mechanism was set up to comprehensively monitor poverty indicators. The IPRSP monitoring and evaluation framework was elaborated in the Results Framework that was agreed by Government and its development partners during the Consultative Group Meeting in 2002, and which has been the monitoring and evaluation framework used by DEPAC. Other related monitoring and evaluation framework also agreed under the bilateral development assistance programmes including the 10-year Poverty Reduction Agreement with the UK-DFID signed in 2002/03.

The PRSP has been prepared against backdrop of widespread poverty, as the 2003/04 poverty profile indicates, and in an environment of competing demands on limited resources. Government is therefore committed to instituting a robust system for tracking and measuring progress of PRS pro-poor interventions on a systematic basis. The new monitoring and evaluation system will guide the design, implementation and analysis of the full poverty reduction strategy and the changes that might occur as a consequence of the intervention. Monitoring and evaluation will be an essential management tool both in the pursuit of policy, programme and project effectiveness and to ensure accountability, responsiveness and transparency in the allocation of resources. The conceptual framework underlying the design of the system is shown in Figure 8.1, which illustrates the annual and overall planning cycle of PRSP programmes and projects. Box 11 shows the participatory process by which new programmes or projects will be introduced into the PRSP through the annual planning cycle.

At each stage of the cycle, relevant monitoring indicators will be used to track progress. In terms of inputs and activities, this will be done on a frequent, regular basis, typically weekly, monthly or quarterly. Outputs and short-run outcomes, for example utilisation and user satisfaction, will be assessed at least annually. Each year, all the available evidence relating to the project/programme will be submitted to a review process which will have the authority to require programme/project modifications where necessary and to recommend appropriate budget allocations for the following year.



Box 11
Participatory Planning and Monitoring Process

The implementing agencies (typically government or civil society organisations) will initially make the case for inclusion of a proposed programme or project in the PRS. If this is agreed, a budget allocation will result, the amount dependent on the assigned priority and the overall resources available.

This allocation will be used to provide inputs and undertake activities, which will produce outputs of a given volume, quality, and accessibility to intended beneficiaries. These outputs will be used to a greater or lesser extent by those beneficiaries and others to satisfy their needs.

The overall impact of the project will be determined by the extent to which one or more dimensions of poverty are thereby reduced and the quality of life of the intended beneficiaries improved.

8.1 Design Considerations and Objectives of the M&E System

All monitoring and evaluation systems in Sierra Leone were seriously disrupted over the conflict period and in many cases are only gradually being reinstated. There is a need to be very realistic as to the severe capacity constraints that confront the development of PRS monitoring, which must necessarily depend on many of these existing systems as its

primary sources of information. Various approaches to sector-specific monitoring have also been established in different line ministries and agencies of Government over recent years, with varying degrees of success. The system for monitoring the PRS will also build on the best of these existing frameworks, adding new components as required but also supporting and strengthening those which are functioning reasonably well.

Particular attention will have to be given to the implications for PRS monitoring of the decentralisation process as the new local councils take on many of the tasks, including planning, implementation, monitoring and evaluation formally undertaken by central line ministries. In designing the new system, the following multiple objectives will be taken into consideration:

- The importance of establishing robust institutional arrangements that can support and sustain monitoring and evaluation processes through the active collaboration of key stakeholders in government and civil society.
- The need to build on, strengthen and coordinate existing mechanisms for monitoring and evaluating government services and activities, building capacity over the PRS period.
- The central role of effective feedback mechanisms that target information in a useable form to government and civil society, both to promote debate and to influence real-time PRS policies and implementation strategies.
- The need to consider both PRS implementation and impact, monitoring inputs (notably resource allocation and use), processes and outputs, in addition to evaluating the outcomes attributable to the specific policies or programmes included.
- The need to develop a system that generates relevant, reliable and timely quantitative and qualitative information.
- The need to integrate participatory monitoring and evaluation, and draw on the knowledge and resources of a wide range of stakeholders including central and local government, NGOs, civil society organisations, the private sector, the academic community, and, most importantly, poor people themselves.

8.2 The Institutional Framework

The institutional framework supporting the M&E system will involve many agencies both within the public sector (line ministries, commissions, local councils, etc) and without (NGOs, CBOs, CSOs) to reflect the broad interest generated in the PRSP, the participatory approach used in its preparation and the transparency in governance espoused by government. Unlike the situation for the IPRSP, the M&E framework will involve greater coordination of efforts of all the institutions.

The PRS Secretariat will take the lead responsibility for coordination of all PRS monitoring activities. In particular it will oversee and coordinate the activities of four specialised PRS monitoring working groups. These groups will comprise relevant staff from government and non-government agencies. They will collaborate on (a) resource allocation and expenditure; (b) censuses, surveys and routine data systems; (c)

community-based monitoring; and (d) dissemination, research and policy analysis. The institutional framework and initial composition of these working groups is shown in Figure 8.2 and the areas of responsibility for each group are outlined below.

8.2.1 Resource Allocation and Expenditure Working Group

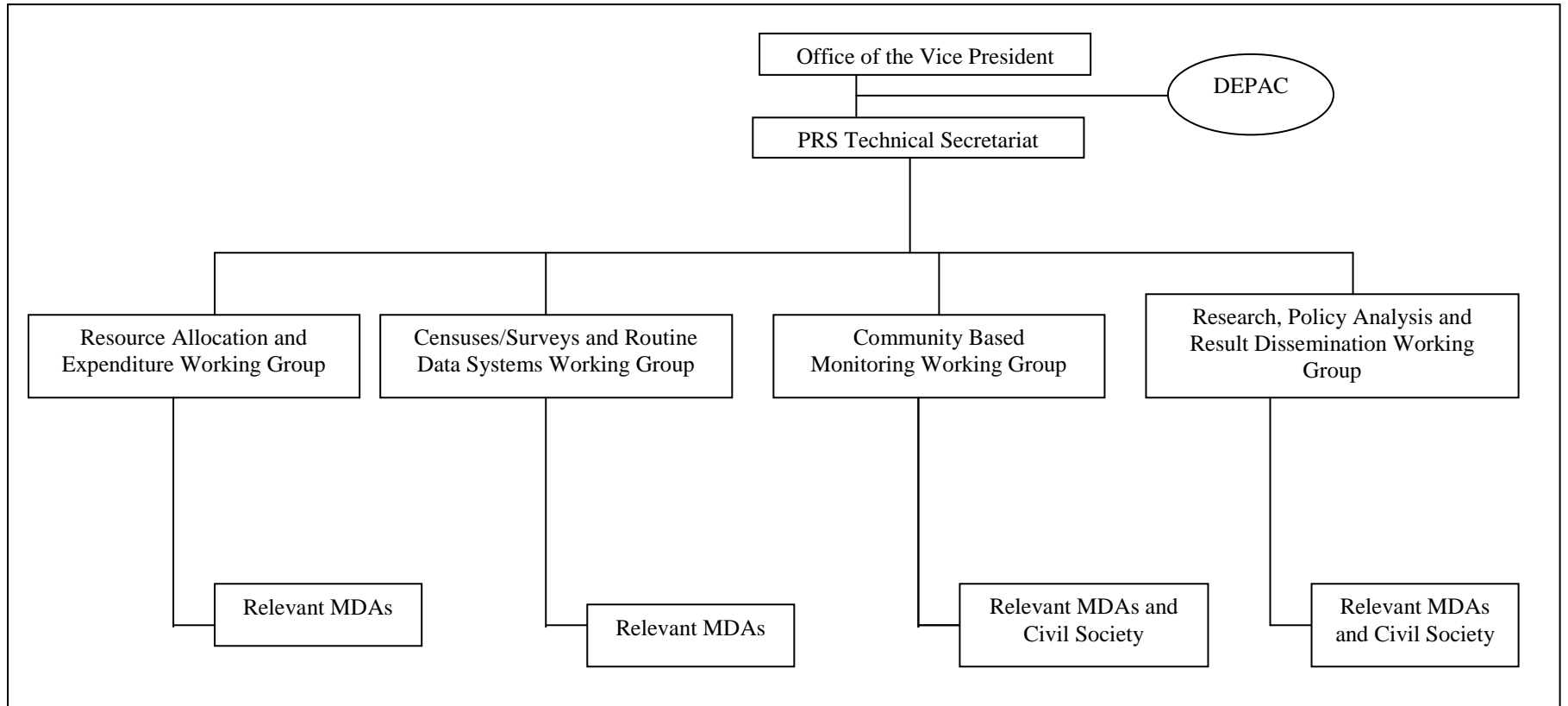
The Resource Allocation and Expenditure Working Group will take lead responsibility for the provision of PRS monitoring information on financial allocations and expenditures. This activity will be set within the context of the Medium Term Expenditure Framework, and will address all programme and projects included within the PRS. Specific areas of responsibility will include (a) budget allocations at sector, project and programme levels; (b) expenditures, again at sector, project and programme levels; and (c) the public expenditure tracking surveys (PETS), tracking financial and other resources to service delivery points.

8.2.2 Censuses, Surveys and Routine Data Systems Working Group

The second working group will take responsibility for the use of data from the censuses, sample surveys and routine administration sources in PRS monitoring. The most important partner in this activity will be SSL. Under the National Statistics Act, SSL has primary responsibility for maintaining the integrity and quality of government statistics. As the lead agency on the National Statistical Coordination Committee, it oversees data collection and compilation activities across government. The SSL will play a leading role in all major surveys. It has already analysed the 2003/2004 Integrated Household Survey, which provided baseline estimates of poverty prevalence, disaggregated by socio-economic group and geographical region. A comparable survey will be undertaken in 2008 from which it will be possible to determine the impact of the PRS on these core indicators.

Specific areas of responsibility will include: (a) censuses; (b) national integrated household surveys; (c) core welfare indicators questionnaire surveys; (d) multiple indicators cluster survey; (e) other household and facility (schools/clinics, etc.) surveys; (f) sector management information systems; (g) district and local council data systems; (h) liaison with the Statistical Coordination Committee.

Figure 8.2: Institutional Framework for PRS Monitoring and Evaluation



8.2.3 Community-Based Monitoring Working Group

It is now generally accepted that qualitative data can assist greatly in understanding the poverty situation in a country. Sierra Leone has a long history of using such exercises such as the PPAs, FGDs and PLFs in order to obtain the views and perceptions of the poor, both on their own situation and on government service delivery. This practice will continue as an important and essential part of the Monitoring and Evaluation exercises of the PRS. The Community-Based Monitoring working group will take responsibility for assessing the progress and impact of the PRS through the eyes of civil society in general, and the poor in particular.

Specific areas of responsibility will include: (a) district budget oversight committees; (b) participatory poverty appraisals (PPAs) and sector PPAs; (c) strategic planning and action process and focus group discussions (SPP/FGDs); (d) PETS community report cards; (e) participatory service delivery surveys (PSDS); and (f) liaison with local council and decentralisation monitoring systems.

8.2.4 Dissemination, Research and Policy Analysis Working Group

This working group will take the lead responsibility for the effective dissemination of PRS information to all stakeholders. The Sierra Leone Information System (SLIS) in DACO will be an important contributor to this activity as it currently plays a major role in information dissemination. It also had an established statistical reporting line between national and local government through the erstwhile District Recovery Committees. The work of these committees was moved to the District Councils by December 2004.

The group will also take responsibility for research and policy analysis. Activities to be addressed in the initial phase will include benefit incidence analysis and poverty mapping. The latter have proved to be useful tools for both analysis and dissemination. Specific areas of responsibility will include: (a) the poverty monitoring database; (b) targeted information, seminars, workshops, and media dissemination, including data packs; (c) capacity building in data access and use; (d) geographical information systems, including poverty mapping; and (e) poverty and social impact analysis.

8.3 Core Monitoring Information and Data Sources

8.3.1 Public Expenditure Tracking Surveys

The Economic Policy Research Unit of the MoF established the PETS Task Team in 2001. The team is comprised of members of the MTEF and SPP Technical Committees, and staff from the EPRU, SSL, MoF, MoDEP, BSL, USL, CSOs, NaCSA and the GRS. Its objective was to design a survey which could track the flow of public resources from the point of budget allocation to their end use, for example, in frontline service delivery facilities. It conducted two surveys covering semi-annual expenditures for 2001 in the security sector, education, health, water and sanitation, agriculture, social welfare, rural

development and local government. Following a review of methodology, a generic “Resource Flow Model” was developed, outlining the different agencies and transactions involved in the flow of resources from central government to service delivery facilities.

The PETS surveys will be continued on an annual basis during the PRS period and are regarded as a central component of the monitoring system, especially in terms of their ability to address a range of issues relating to accountability, transparency and efficiency under the Good Governance Pillar of the PRSP. A second review of methodology and procedures will be undertaken to further improve their reliability, coverage and policy content. The community based service delivery component (some aspects of which will be covered by the CWIQ household surveys discussed below) will be redesigned in collaboration with a range of government and CSO collaborators.

8.3.2 Routine Data Systems

District level information will play a key role in the initial years of PRS monitoring, while capacity building takes place to enhance the routine data and monitoring systems of many central ministries. The compilation of data by ministry representatives sitting on the District Recovery Committees and supported by OCHA has provided a valuable source of information on the major social sectors over the recovery period. These data have been entered into the National Recovery Database by SLIS, and used to prepare both district and sector “Data Packs”, which can be used to estimate a number of core PRS indicators.

This system will continue at least into the initial years of PRS implementation and the Transition Support Team will take over the role of the UN/OCHA. Over time, as the decentralisation process is implemented, the intention will be that the development planning committees of the new local councils take over the monitoring role of the Transition Support Team. The sector Data Packs would be replaced by line-ministry annual monitoring reports. A number of national and international agencies are engaged in capacity building for the monitoring function with line ministries, district council staff and the councillors themselves. The PRS Secretariat will provide support where possible, in collaboration with the Decentralisation Secretariat of the MLGCD and NaCSA.

8.3.3 Household Surveys

Over recent years, considerable insight has been gained on the extent, depth, nature and causes of poverty from a series of national household surveys. The findings of these surveys have been fed into the PRSP process. They provide baseline data that will be used in the estimation of many of the PRS monitoring indicators. They include:

- Multiple Indicators Cluster Survey (MICS), UNICEF, April 2000;
- School Census, KPMG, 2002;
- Governance and Corruption Survey, Conflict Management and Development Associates (CMDA), 2002;
- Vulnerability Survey, World Food Programme, March 2003;

- Sierra Leone Integrated Household Survey, Statistics Sierra Leone, April 2003-March 2004.

Further analysis of the data from some of these surveys, especially the SLIHS, will be undertaken in the first year of the PRS, to refine and disaggregate the existing results and provide a basis for briefing documents targeted at a range of stakeholders and policy makers. In addition, the PRS Secretariat will seek, in collaboration with the relevant implementing and funding agencies, to ensure that both findings and, where possible, micro-data are made widely available.

A household census has been conducted and a number of additional surveys are at advanced planning stage and will be implemented later in 2004 or early in 2005. These include:

- Census, Statistics Sierra Leone, December 2004
- Vulnerability Survey, World Food Programme, October 2004.
- Core Welfare Indicators Questionnaire Survey (CWIQ), SSL, April 2005
MICS, UNICEF, 2005

Two of these, the Vulnerability and CWIQ Surveys, are intended to be undertaken annually throughout the PRS period and will provide a valuable source of monitoring data. The CWIQ has been specifically designed to allow routine annual monitoring of poverty reduction initiatives. Using a standard machine-readable questionnaire adapted for local conditions, it is relatively inexpensive to mount and permits basic editing and analysis to be undertaken rapidly. The survey provides for estimation of a range of indicators on social welfare and access, utilisation and satisfaction in relation to social sector service delivery. The Vulnerability Survey, which broadly follows an international format devised by the WFP, seeks to identify those most likely to face food insecurity and vulnerability, and identify where hungry, poor and vulnerable populations are most concentrated within the country. It will be of particular use as a source of PRS information in the priority areas of food security and malnutrition.

The PRS Secretariat, through the Censuses, Surveys and Routine Data Systems working group, will liaise closely with those responsible for these surveys, both to provide support and to ensure, as far as possible, that they are complementary and the data gathered directly compatible. Again, arrangements will be made to make both the findings and micro-data widely available in a timely manner.

8.3.4 Participatory Service Delivery Survey

Civil society is included in the PETS process by the Ministry of Finance. While the quantitative methods for PETS are well recognised and analysed in the EPRU, the qualitative methods need some attention. The PETS have thus far used “report cards” to provide information on community level perceptions of government service delivery. This process involves asking community members to answer specific questions on service delivery in their area. Four report cards have been developed to address the

perceptions of those who access the services as well as those who deliver services. Field workers use the cards to survey community members on their perceptions of government service delivery. The information obtained has proved extremely useful as part of the PETS and can be used to triangulate the information gained through the quantitative survey. Within the PRS monitoring system, this aspect of the PETS will be redesigned with the assistance of CSO partners to improve both the scope and coverage of the survey and to ensure a more complete and thorough analysis of the data.

8.3.5 PPAs and Sectoral PPAs

The PPAs have been established as a key tool for poverty monitoring. They were used to inform the PRSP process, and are institutionalised in government sectors, most notably in PASCO and NaCSA. PPAs can be adapted to elicit information on almost any number of issues at the grassroots level. They will be useful in determining people's perceptions of government service delivery in a broad manner, which may include attitudes to government service providers and assessments of their capacity. PPAs will also be used to give useful information on people's perceptions on governance issues, including quality of service delivery and corruption at the local level.

8.3.6 FGDs and SPP

The SPP methodology and Focus Group Discussions, applied to engage citizens in the preparation of the PRSP, have proved an excellent source of information. These exercises will be used during the implementation phase to monitor government service delivery at grassroots level, and will also be adapted to facilitate participatory monitoring and evaluation of PRS projects and programmes. The information gathered will assist in establishing people's perceptions of the progress being made in the priority service delivery areas and necessary improvements.

8.3.7 District Budget Oversight Committees

Civil society is engaged in monitoring government expenditure through district level budget oversight committees. This initiative has been undertaken by the Budget Bureau in the Ministry of Finance as part of the MTEF process. Each committee at district level comprises 15 members selected through a participatory process, which involves widespread community sensitisation meetings on budgetary and public financial matters. The oversight committees report to the MoF through the MTEF Secretariat or the Budget Bureau. To date, this part of the process has functioned well, with reports being submitted in a timely manner. The Resource Allocation and Expenditure Working Group will review procedures within the MoF in order to ensure that a system is in place that (a) allows rapid acknowledgement and response to concerns raised; (b) provides for routine reporting of proceedings; and (c) the preparation and widespread dissemination of briefings on issues of general interest.

8.4 Monitoring Key Indicators

Tracking and monitoring progress in implementation of the PRS will rely on an appropriate mix of intermediate (input/output) and final (outcome/impact) indicators. While the former are generally under the control of the implementing agencies, the latter are usually not. As indicated above, a range of methods will be used to track both types of indicators. In general the MDAs will be expected to provide information on intermediate indicators to measure progress in their respective sectors and other sources, for example household surveys, will be used to estimate final indicators.

A number of sectoral indicators have already been selected through intensive consultative processes involving full participation of sector representatives. Indicators selected during the IPRSP were also revisited and re-examined for their relevance to measuring progress. These medium-term indicators of the PRSP are also aligned with the longer-term MDGs (of 2015). Table 8.1 provides a summary of the intermediate indicators that will be used to monitor progress of the overall poverty reduction strategy, including the sector goals and objectives in the 2005-2007 period, using 2004 as the base year. Over the first year of PRS implementation, while monitoring systems are being developed and capacity built, the PRS Secretariat will focus on this core sub-set of indicators which can be reliably estimated using tested sources and methods. These have been selected on the basis that they can provide relative rapid feedback on progress that can be directly attributed to PRS projects and programmes.

Table 8.1: Some Core Intermediate PRS Indicators and Targets (2005-2007)

| | Targets | | Primary source |
|--|-----------|-------------|----------------------|
| | Base Year | Target 2007 | |
| Pillar 1 | | | |
| Implementation of PETS recommendations | | | MoF |
| Percentage of women in senior government positions | | | Estab. Secretary |
| Percentage satisfied with service delivery in Health | 56.4 | 90.0 | CWIQ/SSL |
| Percentage satisfied with service delivery in Education | 87.2 | 95.0 | CWIQ/SSL |
| Pillar 2 | | | |
| Per-capita GDP (\$US) | -- | | MoF |
| Domestic revenue as % GDP | 12.4 | 15.7 | MoF |
| Annual inflation rate (end yr); (annual average) | 14.2 | 5.5 | SSL |
| Gross International Reserves (months of imports) | 2 | >3 | BSL |
| Number of recipients of micro-finance loans in rural areas | 10,000 | 70,000 | BSL |
| Domestic food production (Mt): | | | |
| Cassava | 623,290 | 1,236,838 | MAFFS |
| - Sweet Potato | 36,980 | 72,225 | |
| - Groundnut | 152,100 | 299,813 | |
| Tree/Export crop production (Mt) | | | MAFFS |
| - Cocoa beans | 20,900 | 35,500 | |
| - Coffee | 50,700 | 88,400 | |
| - Oil palm Fruit | 250,000 | 289,400 | |
| Total paddy rice production (Metric Tons) | 580 | 1,290 | MAFFS |
| Rice self-sufficiency (%) | 42 | 93 | MAFFS |
| Livestock Production (No.): | | | |
| Cattle | 200,000 | 391,000 | MAFFS |
| - Goats | 350,000 | 685,000 | |
| - Sheep | 300,000 | 586,000 | |
| - Pigs | 20,000 | 39,000 | |
| Total artisanal domestic fish production (Mt) | 65,758 | 75,622 | MFMR |
| Total marine products landed (Mt) | 9,220 | 11,986 | MFMR |
| Kilometres of asphalt roads/gravel constructed/maintained | | 916/4373 | SLRA |
| Kilometres of functioning feeder roads constructed/rehabilitated | | | SLRA |
| Pillar 3 | | | |
| Prevalence of under-5 malnutrition (wasting) (%) | 25.8 | 12.5 | CWIQ/SSL |
| Public expenditure on education as a percentage of GDP | 5.5 | 6 | BB, MoF |
| Youth literacy rate (15-24 yrs.) | 11 | 16 | Data Pack |
| Ratio of literate females to males age (15-24) | 1:2 | 2:3 | Data Pack |
| Ratio of girls to boys in Primary; Secondary; Tertiary | | | MEST/ Data Pack |
| Average number of text books per pupil in primary school | 1:4 | 1:2 | Data Pack |
| Percentage qualified teachers primary, secondary | 42 | 64 | Data Pack |
| Public expenditure on health as a percentage of GDP | 1.75 | 7 | BB, MoF |
| Percentage children 12-23 months fully immunised: polio/measles, DPT | 35 | 65 | Data Pack |
| Percentage of under-five children/pregnant women sleeping under insecticide-treated bed nets | 6.6/2.0 | 24/30 | MOHS |
| Number trained by HIV/AIDS Secretariat on prevention & care of HIV/AIDS & STD | | | HIV/AIDS Secretariat |
| Population with sustainable access to improved water source | 25 | 55 | CWIQ/SSL |
| No. of vulnerable people supported in Social Protection Programmes | | 5,000 | MSWGCA |

ANNEX 1

ACTORS AND THEIR DEGREE OF PARTICIPATION IN PRSP MODULES

| Actors | NATIONAL LEVEL ACTIVITIES | | | | | | | REGIONAL LEVEL ACTIVITIES | | | | |
|--|--|-------------------------------------|---|--|--|---|------------------------------------|-------------------------------------|--|---|---|--|
| | <i>National IPRSP Launch and Seminar (1)</i> | <i>Gender Training Workshop (2)</i> | <i>Child Mainstreaming Workshop (3)</i> | <i>Sensitisation and awareness raising</i> | <i>Focus Group Discussions (Perception survey) (4)</i> | <i>Participatory Poverty Assessment (PPA) (5)</i> | <i>Consultation on Pillars (6)</i> | <i>Gender Training Workshop (7)</i> | <i>Sensitisation and awareness raising</i> | <i>Focus Groups Perception survey (8)</i> | <i>Participatory Poverty Assessment (PPA) (9)</i> | <i>District Consultation on Pillars (10)</i> |
| Total participants | 250 | 120 | 38 | | 102 | 70 | 343 | 60 | | 1,107 | 258 | 1,375 |
| Government Ministries | X | X | X | X | X | X | X | X | X | X | X | X |
| National technical departments | X | X | X | X | X | X | X | X | X | X | X | X |
| Decentralized technical departments | | | | X | | X | X | | X | X | X | X |
| Elected Officials | | | | X | | X | X | | X | | | |
| Parliamentarians | X | X | X | X | X | X | | | X | | X | X |
| Mayors, Chairpersons of District and Town Councils | | | X | X | | | | | X | X | | X |
| Civil Society | X | | X | X | X | X | | | X | X | X | X |
| Development NGOs | | X | X | X | X | X | X | X | X | X | X | X |
| Human rights NGOs | X | | X | X | X | | X | | X | | X | X |
| Labour Unions | X | | X | X | X | | X | | X | | | X |
| Farmers' Organisations | X | | X | X | X | X | X | | X | X | X | X |
| Young People's Orgs. | X | | X | X | X | X | | X | X | X | X | X |
| Women's Organisations. | X | X | X | X | X | X | X | X | X | X | X | X |
| Association of handicapped | X | | X | X | X | X | | | X | X | X | X |
| Religious Organisations | X | | X | X | X | | X | | X | X | X | X |
| Private Sector | X | X | X | X | X | | | | X | X | X | X |
| Villages and neighbourhoods | X | | | X | X | X | X | | X | X | X | X |
| University Researchers | X | X | X | X | X | | X | | X | X | | X |
| Press Corps | X | X | X | X | X | | X | | X | X | | X |
| Others | X | X | | X | X | | X | X | X | X | | X |
| Financing institutions | X | X | X | X | | | X | | X | | | X |
| Embassies | X | | | X | | | | | X | | | X |
| International org. | X | X | X | X | X | X | | | X | X | | X |
| Projects | X | X | X | X | X | | X | | X | X | | X |
| Agencies | | | X | X | X | | X | | X | X | | X |
| Children Ages (8-17) | | | | X | | | X | | X | | X | X |

NOTES:

- (1) National level launching of the final IPRSP by the President was followed by a donors meeting and press conference. A consensus was reached on the priorities for the transitional and medium term phase.
- (2) Gender Capacity building of the five sector working groups and gender focal points in gender mainstreaming the PRSP were conducted at the national level. Other key stakeholders including members of civil society, DRC, Youth, Women's groups and NGOs participated in the regional training (7).
- (3) A 3 day workshop on child mainstreaming for all relevant stakeholders to determine priority areas of intervention in addressing child deprivation and poverty was held at the national level.
- (4) Focus Group Discussions for Ministers, Professional and Administrative Heads and Parliamentarians. Piloting to harmonise methodology of FGPs/RVAs/Gender analysis was also conducted in four locations in the Western Area Rural Districts.
- (5) Officials from line ministries/CSOs/NGOs were exposed to PPA methodology. 20 line Ministry officials, NGOs, CS were also trained in "introduction to PPA methodology" in the Northern region. 20 Officials (10 NaCSA staff and 10 line ministries and PASCO staff) were trained as trainers and developed facilitators' notes.
- (6) National level Consultations on the Pillars, held in the Western Area.
- (8) Participants drawn from line ministries, DRC, school children, women/youth groups local and religious leaders participated in focus group discussions on Risk and Vulnerable Assessment and Gender Analysis.
- (9) Community facilitators were trained in 42 communities. Trained community facilitators conducted the new approach to PPA taking into consideration Gender/Child dimensions of poverty.
- (10) Participants drawn from CBOs, NGOs, religious/community leaders, children, youth /women's groups participated in the regional level consultations on the four pillars held in Bo, Moyamba, Pujehun, Mattru, Kenema, Kailahun, Kono, Bombali, Tonkolili, Koinadugu, Port Loko, Kambia, Western Area Urban and Western Area Rural.

Number of Participants

Overall, 1,566 persons (699 men, 599 women and 268 children) were consulted in the civic engagement nation-wide.

ANNEX 2

POLICY OBJECTIVES AND PRIORITY PROGRAMMES AND ACTIVITIES FOR THE PRSP (2005-2007)

| Pillar One: Promoting Security, Peace and Good Governance | | | |
|--|--|---|--|
| Policy Area | Policy Objectives | Actions | Lead Agencies |
| Security | Security Forces able to prevent and respond to external and internal security threats and provide an enabling environment for poverty reduction. | <p>Strengthen the capacity of ONS to effectively coordinate and ensure civilian-led security coordination architecture.</p> <p>Coordinate implementation and monitoring of the Security Sector Review (SSR) recommendations.</p> <p>Restructure the RSLAF to become a smaller, more flexible and robust force.</p> <p>Build the capacity of the SLP to operate effectively throughout the country.</p> <p>Develop and equip an intelligence service to support the RSLAF and SLP.</p> <p>Build the capacity of the prison services to rehabilitate prisoners and provide them with skills training.</p> <p>Build the capacity of the Fire Force and Immigration for effective delivery of services.</p> | MoD/MoIA/ ONS |
| Peace | Strengthen democracy and participation of the people. | <p>Strengthen the monitoring and oversight capacity of Parliament.</p> <p>Strengthen the operation of the National Electoral Commission and the Ombudsman's Office</p> <p>Increase participation of women, youth and other marginalized groups in the political process and in decision making.</p> <p>Establish structures for young men and women to coordinate and participate in decision making processes at national, district and chiefdom levels.</p> <p>Organise leadership, assertiveness and empowerment programmes for youth and sensitise youth organisations on their role in national development.</p> <p>Facilitate the free flow of information between Government and the public and sensitise the public on good governance principles and practices.</p> <p>Support civil society's effective participation in governance and the coordination, implementation and monitoring of poverty reduction initiatives.</p> | MOPA/ MOIA/ MOYS/LCs/ Civil Society |
| | Ensure respect for human rights (including child rights) and promote gender equality and empowerment | <p>Support the National Human Rights Commission.</p> <p>Domesticate CEDAW. Reform laws which discriminate on the basis of gender and establish a legal framework to address gender-based violence.</p> <p>Reform juvenile justice laws and procedures in conformity with international standards. Ensure that children in custody and judicial processes are afforded their statutory rights and appropriate juvenile facilities.</p> <p>Increase the participation of children in decision making.</p> <p>Eliminate the worst forms of child labour.</p> <p>Reduce the exposure of women and children to commercial sexual exploitation and abuse.</p> <p>Provide sensitisation and education on gender and development issues</p> | MOSWGCA/ MOJ/LCs/ NGOs/ Civil Society |
| | Facilitate reconciliation amongst the Sierra Leonean population | <p>Implement recommendations of the TRC.</p> <p>Promote social integration and harmony among male and female youth at community level.</p> <p>Maximise the contribution of sports to youth development and peace building.</p> | OP/NCDHR/L Cs/Civil Society |

Annex 2 continued

| Policy Area | Policy Objectives | Actions | Lead Agencies |
|-----------------|---|--|---|
| Good Governance | Improve pro-poor service delivery | <p>Reform the public sector (including civil service) for effective service delivery.</p> <p>Develop and maintain capacity for data collection, analysis and reporting for evidence-based policy-making.</p> <p>Build capacity to ensure the effective implementation of the decentralisation programme.</p> <p>Clarify roles and responsibilities between Local Councils and Chiefs.</p> <p>Build an effective anti-corruption agenda.</p> <p>Strengthen public financial management, fiscal decentralisation and procurement.</p> <p>Build capacity for effective implementation, monitoring and evaluation of the PRSP.</p> | MOPA/ SSL/ACC/ MOF/ PRS Secretariat/CS |
| | Empowerment of Public Participation in the policy making process | <p>Develop and maintain a national statistical system with adequate capacity for data collection, analysis and timely dissemination for evidenced based policy making</p> <p>Build capacity at SSL for the coordination of data collection and compilation among GoSL departments to support the monitoring and evaluation of the PRSP as required by the Statistics Act</p> | |
| | Improve access to justice for the poor | <p>Improve the conditions of service in the judiciary.</p> <p>Ensure the effective operation of the local court system.</p> | MoJ/MLGCD |
| | Develop a framework for coordination, advocacy, monitoring and evaluation to ensure that gender issues are addressed in all development programmes. | <p>Establish mechanisms and tools for monitoring gender mainstreaming and assessing impact of gender policies in all main government programmes and on beneficiaries.</p> <p>Reactivate the Gender Management System and structure by appointing senior officers as gender focal points from various MDAs and Local Councils.</p> <p>Set up a gender bank and resource centre.</p> | MSWGCA/M DAs |

Annex 2 continued

| Pillar Two: Promoting pro-poor sustainable growth for Food Security and Job Creation | | | |
|---|--|---|---|
| Policy Area | Policy Objectives | Actions | Lead Agencies |
| Food Security | Increase the year round supply of food through domestic food production | <p>Intensify and diversify domestic, food, tree crop and livestock production.</p> <p>Train farmers (including women and youth) to adopt and implement new technologies.</p> <p>Conduct short to medium term training of extension and research support staff on specialised skills relevant to the food security programme.</p> <p>Strengthen seed systems to increase foundation seed production, and guarantee seed quality and health.</p> <p>Establish/ facilitate community-based networks for rapid multiplication, integrated management and distribution of improved varieties of crop targeted.</p> <p>Support fertiliser and other agrochemical input markets to support crop intensification.</p> <p>Ensure timely access to agricultural inputs and outputs through enhanced private/community/ public sector partnership.</p> <p>Identify and develop specialised ecologies for intensive food production through effective land use planning and development.</p> <p>Identify and develop specialised ecologies for large scale production of rice.</p> <p>Promote the extensive use of farm mechanisation, modern varieties and improved technologies from the research institutions to maximise yields.</p> <p>Intensify development of artisanal fisheries and promote inland fishing and agriculture.</p> <p>Construct fishing harbour in the Port of Freetown and increase the quality of fish landed from the marine sector.</p> <p>Provide special extension training for young men and women in fishing.</p> <p>Provide training in boat building and net mending.</p> <p>Develop and increase producer access to market information systems on commodities and improve market linkages.</p> | MAFF/MFMR / RFS/NGOs/ CSOs |
| | Improve infrastructure related to food production, storage and distribution | <p>Improve access to agricultural communities and markets through a feeder roads programme.</p> <p>Improve basic transportation services in rural and urban areas.</p> <p>Improve provision of market, storage and drying floors in agricultural areas.</p> | MWHTM/SLR A/MAFF/RFS/ MTC/NaCSA/ RFS/NGOs |
| | Coordinate the food import market to compliment domestic food production and cover the food gap | <p>Establish and provide information on national food gap on a biannual basis.</p> <p>Negotiate with donors to obtain commitments to specified level of food aid for targeted food security programmes.</p> <p>Monitor developments in the international grain (rice) market and their impact on domestic food security.</p> <p>Promote competitive private sector participation in the importation of food, especially rice.</p> | MAFF/MTI/R FS/PS/WFP/NGOs |
| | Create the enabling policy environment to bolster and sustain agricultural development for food security | <p>Provide incentives to attract private sector participation in the food security programme.</p> <p>Develop and apply a national policy on financing and credit to producer organisations.</p> <p>Develop and strengthen institutional capacity for quality information on food security.</p> | MAFF/PS/NGOs |

Annex 2 continued

| Policy Area | Policy Objectives | Actions | Lead Agencies |
|---------------|--|---|----------------------------------|
| Food Security | Increase the access of vulnerable groups to food | Increase access of small farmer households and unemployed youth to inputs and targeted assistance. Provide food for work to vulnerable farmers engaged in critical rehabilitation and land development efforts. Promote chicken and small ruminants production, home gardening, household food preservation and processing. Implement the national social protection strategy. | MSWGCA/ MAFF/RFS/ NGOs/WFP |
| Job Creation | Promote the enabling environment for private-sector investment | Implement the newly enacted Investment Code and consolidate the role of SLEDIC as a 'one-stop-shop' for investors. Expand access to energy services for improved energy supply reliability. Improve telecommunications infrastructure and services. Promote an agricultural land tenure system that attracts large scale commercial farming. Improve access to rural/ riverine communities and markets. Build the image of Sierra Leone as an attractive location for investment. Strengthen legal framework and judicial services. | MTI/MEP/MT C/MoJ/MAFF/ PS |
| | Promote export of locally produced commodities | Re-establish the Export Credit Guarantee Scheme at the Bank of Sierra Leone for local exporters. Establish export processing zones and agro-processing units in suitable locations as well as an industrial and economic zone at the former National Workshop in Freetown. Implement standards for export and quality control. Strengthen the National Cooperative Bank. Facilitate the establishment of a Rural Investment Fund to support the location of investment in rural areas with special focus on exports. Encourage the local processing of traditional and non-traditional exports such as coffee, cocoa, ginger, cashew nuts, vegetables, groundnuts and other spices to create linkages between primary production and manufacturing through value addition. Establish a research and development institute starting with the processing industry, to upgrade the efficiency and productivity of the food-processing sector. Facilitate the establishment of international standards for fish exports (especially for the EU). Encourage small producers, especially in rural areas to form cooperative societies to enhance export and marketing opportunities for their produce. Set up post-harvest technological centres close to agricultural production that are value-adding and have export potential. | MTI/BSL/MoF /MFMR/PS |

Annex 2 continued

| Policy Area | Policy Objectives | Actions | Lead Agencies |
|--------------|--|---|---------------------------|
| Job Creation | Support the creation of SMEs | Review and harmonise the existing legal and regulatory framework with a view to removing impediments to the development of SMEs. Formulate an appropriate SME policy that is gender sensitive and targets the rural poor. Encourage private sector depots close to production sites, especially in rural areas to enable small farmers or producers (including women) in the informal sector to secure better prices for their products. Study the size, nature and characteristics of the informal businesses run by women, their capital structure, their use of existing counselling services to formalise their activities into sustainable activities and also increase their visibility in the business community. Provide SMEs with direct access to services for enhancing competitiveness and employment generation. | MTI/PS/CSOs |
| | Provide effective financial services through promotion of micro-finance schemes | Establish a regulatory and coordinating framework for provision of micro finance services to the private sector. | BSL/MTI/PS/ MODEP |
| | Maximise the benefits of mining for both artisanal mining and communities and private investment | Provide appropriate legal and regulatory framework for the administration, access and transferability of mining rights, security of tenure, operating obligations and rights and penalties. Provide favourable fiscal framework for taxation, royalties, rental fees, duties and incentives. Ensure that environmental degradation associated with mining activities is addressed. Create mining cooperatives to enable easy access to credit. Set up a trust fund for Community Development and improve the welfare and benefits of the individuals and communities participating in and affected by mining activities. Institute revolving equipment fund to purchase equipment for rental by private sector. Encourage NGOs and private companies to participate in such schemes. Train artisanal miners in the identification and valuation of diamonds, marketing, occupational health and safety practices, business practices and stakeholders' roles. | MMR/MTI/PS |
| | Attract private sector investment in the tourist sector | Enhance proper and effective development, promotion and coordination of tourism activities. Promote and support private entrepreneurs and investors in the operation of tourism facilities. | MTC, MTI, PS |
| | Promote employment opportunities for youth in the formal and informal sectors | Establish and operate an employment centre at district level. Provide start up kits and/or micro-credit facilities for technical/vocational graduates. Promote special youth focused programmes in agriculture and fisheries. | MLSS/ MoYS/ MAFF/ MFMR/PS |

Annex 2 continued

| Policy Area | Policy Objectives | Actions | Lead Agencies |
|---|--|---|-----------------|
| Maintain a sound macro-economic environment that promotes pro-poor sustainable growth | Promote effective debt management | <p>Develop and maintain a comprehensive debt database.</p> <p>Ensure that the terms and conditions of loans contracted are consistent with Government debt policy.</p> <p>Renegotiate with the Paris Club to obtain further HIPC debt relief.</p> <p>Conduct Debt Sustainability Analysis (DSA) as part of the preparatory action for the Completion Point document under the enhanced HIPC initiative.</p> <p>Verify and validate external commercial debts and develop strategy for their liquidation.</p> <p>Undertake detailed write-up on the procedure for loan contraction and management.</p> <p>Monitor on-lent loans and facilitate the cross indebtedness settlement between the Government and Parastatals.</p> <p>Strengthen the capacity of the Public Debt Management Units in the Ministry of Finance and the Bank of Sierra Leone.</p> | MoF/BSL |
| | Improve monetary policy management | <p>Continue to use indirect, market-based instruments of monetary policy.</p> <p>Adjust Statutory reserve requirements and extend reserve requirements to foreign currency deposits to control excess liquidity.</p> <p>Introduce wide-range of securities.</p> <p>Develop a sound liquidity forecasting framework.</p> <p>Develop an efficient payments system.</p> | BSL/MoF |
| | Improve public expenditure management | <p>Review of the Financial Administration Regulations to ensure consistency with the new legislation.</p> <p>Review the financial relationship between the Ministry of Finance on the one hand and the Municipalities and the Local Authorities on the other.</p> <p>Introduce new chart of accounts to capture donor funds in the fiscal report and to aid publications of routine in-year reports for tracking poverty expenditure by function.</p> <p>Ensuring compliance to the Procurement Act by establishing the National Procurement Authority.</p> <p>Deepen the MTEF process by increasing dialogue and consensus building through public discussions, media and encourage the development of capacities within the civil society.</p> <p>Undertake Public Expenditure Review in key sectors.</p> <p>Install an Integrated Financial Management Information System (IFMIS).</p> <p>Conduct annual Public Expenditure Tracking Surveys (PETS).</p> | MoF/MDAs |
| | Improve domestic resource mobilisation | <p>Introduce the Value-Added Tax (VAT).</p> <p>Eliminate discretionary tax exemptions.</p> <p>Strengthen the anti-smuggling wing of the NRA.</p> <p>Computerise the NRA.</p> <p>Provide training to NRA staff in tax auditing and customs administration.</p> | MoF/NRA/BSL |
| | Improve coordination of external resource inflow | <p>Establish and maintain database on multilateral, bilateral and NGO resource inflows and utilisation.</p> <p>Strengthen Government-Donor dialogue on development assistance to the country.</p> <p>Support Local Councils to collect information on resource inflows and use at District Level.</p> | PRS Secretariat |

Annex 2 continued

| Policy Area | Policy Objectives | Actions | Lead Agencies |
|---|---|---|---------------|
| Maintain a sound macro-economic environment that promotes pro-poor sustainable growth | Promote export diversification and competitiveness | Identify and develop non-traditional exports. Promote growth in manufactured exports. Establish export processing zones. Strengthen/Restructure the Sierra Leone Export Development and Investment Corporation (SLEDIC). | MTI/MoF/PS |
| | Promote privatisation and divestiture of identified state enterprises | Privatise 24 state enterprises. | NCP/MoF |
| | Promote economic development | Establish a venture capital fund | MoF/BSL/MTI |

| Pillar 3: Promoting Human Development | | | |
|--|--|--|-----------------------|
| Policy Area | Policy Objectives | Actions | Lead Agency |
| Education | Expand access to basic education with focus on the girl child | Ensure that every chiefdom has a primary and junior secondary school. Pay subsidies and public examination fees for girl children in primary and junior secondary schools. Mobilise communities to enrol their children and wards in primary school. Expand the national school feeding program and support the development of school gardens. Provide special needs education and training for the mentally and physically handicapped. Encourage private sector participation in school development. Promote partnerships among stakeholders in the delivery of education services. | MEST/NGO/ CSOs/LCs |
| | Improve quality of basic education | Provide adequate teaching and learning materials at the start of the new school year. Establish resource centres and mobile libraries in every district. Develop new curricula for teaching and learning and promote the development of locally relevant textbooks and learning materials. Ensure curricula includes HIV/AIDS, environmental sanitation, peace-building, citizenship and life skills. Provide additional incentives for teachers in the rural areas. Institute a performance based reward system for teachers. Promote and implement distance education to meet the needs of untrained and unqualified teachers. Conduct accredited regular refresher courses for teachers. | MEST/LCs |
| | Develop capacity for planning, management and administration of the education sector | Decentralise the administration and management of the education sector. Set up an education management information system that will improve educational data collection, information systems and monitoring and evaluation nationwide. Develop and maintain a system for monitoring learning achievement. Establish a Teaching Service Commission to ensure among other things the equitable distribution of teachers. Develop a resource allocation formula to ensure equitable distribution of educational resources. | MEST/LCs |

Annex 2 continued

| Policy Area | Policy Objectives | Actions | Lead Agency |
|-------------|---|--|-----------------------------------|
| Health | Improve quality and delivery of health services. | Establish an effective partnership among all health service delivery agencies. Decentralise the health care management system by ensuring community participation. Reform and strengthen the drugs and medical supplies cost recovery programme. Formulate a policy on blood safety. | MoHS/LCs |
| | Increase access and affordability of health services | Create or strengthen basic community health services nationwide. Provide free or subsidised health care to vulnerable groups. Improve awareness raising, social mobilisation and behavioural change on health issues. Establish nurses training schools in each region. | MoHS/LCs |
| | Reduce maternal, infant and under-5 mortality rates | Increase EPI coverage nationwide. Promote and support the use of vitamin and other mineral supplements for mothers and children. Promote outreach/ awareness programmes on negative traditional practices. Support maternal and child healthcare programmes. Increase access to essential and emergency obstetric care and provide specialised surgery for cases of Vesico Vaginal Fistulas (VVF). Promote and strengthen family planning programmes and increase the use of contraceptives. | MoHS/LCs/NGOs |
| | Reduce morbidity and mortality due to malaria and other communicable diseases | Revise and implement treatment guidelines for malaria. Provide affordable and effective anti-malaria therapy, promote the use of treated bed nets and strengthen vector control programmes and the treatment of TB. Undertake programmes to enhance good sanitation and prevention services. Provide appropriate and improved services for the prevention and treatment of cholera, onchocerciasis (river blindness), lassa fever, bilharzia, typhoid and dysentery. | MoHS/LCs |
| | Reduce the incidence of HIV/AIDS and other sexually transmitted diseases and support people living with HIV/AIDS. | Enhance awareness on HIV/AIDS nationwide. Promote safe sexual behaviour, voluntary testing and counselling for young adults and vulnerable groups. Set up sentinel sites in anti-natal clinics. Promote prevention of parent to child transmission. (PPCT). Ensure the provision of safe blood to patients. Improve medical waster management and prevent nosocomial infections. Provide nutritional support and medical care for PLWHAs and increase access to ARVs at affordable costs. Set-up a support system for people living with HIV/AIDS. Strengthen capacity for the management of an HIV/AIDS epidemic. Improve the management of sexually transmitted diseases. | HIV/AIDS SEC/MoHS/ LCs/CSOs |
| | Reduce malnutrition amongst infants, young children, pregnant and lactating mothers | Promote programme of information and education on good nutrition and promote food fortification. Promote breast feeding of children and support therapeutic and supplementary feeding programmes. Support the supply of micro-nutrients such as Vitamin A and iodine to children and women and promote adequate consumption of locally produced iron- rich foods. Institute growth monitoring and promotion in healthcare centres across the country. Enhance capacity building through training to address nutrition related issues. | MoHS/RFS/ CSOs |

Annex 2 continued

| Policy Area | Policy Objectives | Actions | Lead Agency |
|----------------------|--|--|--------------------------------|
| Water and Sanitation | Improve access to safe drinking water and sanitation | Provide safe drinking water and sanitation facilities for deprived communities in rural and urban areas. Rehabilitate and reconstruct existing water facilities damaged by the war. Provide adequate liquid and solid waster disposal facilities in urban areas. Increase community awareness of good hygiene practices relating to collection and storage of drinking water, use and maintenance of sanitary facilities and other environmental sanitation issues. | MEP/LCs/CSOs |
| | Strengthen and coordinate the operations of service providers | | MEP/LCs |
| The Vulnerable | Formulate and implement a National Social Protection Policy. | Policy will identify vulnerable groups and consider access to food security, access to social services and other social safety nets for these groups. | MSWGCA/MDAs/LCs/CSOs |
| | Improve and promote child protection mechanisms | Formulate and enact laws and a family code on the rights of the child. Support child protection agencies to collectively develop and implement the child rights policy. Establish a database and documentation system on child protection issues. Train social workers, counsellors, community organizers and youth workers on child rights and protection, with particular focus on child exploitation, child trafficking and child abuse, and monitoring and reporting of violations of child rights. Provide foster homes that are well monitored for orphans and street children. Support skills training for- out of school children and provide educational support. Provide recreational facilities for children. | MSWGCA/NA CWAC/LCs/ CSOs |
| | Improve the social status of disabled people | | MSWGCA/LCs/ CSOs |
| | Combat drug abuse and substance abuse amongst youth | Strengthen existing law enforcement agencies to combat drug abuse. Organise community rehabilitation and reintegration programmes for disaffected youth. Conduct sensitisation programmes to discourage drug and substance abuse. | MoYS/NDCS/ CSOs |
| Housing | Build the capacity of poor communities for affordable housing construction | Provide skills training in building materials production and housing construction. Facilitate access by the poor to affordable housing through microfinance. Improve access to and ownership of land for housing by the poor. | MWHTM/MLC PE/LCs/NGOs |
| Environment | Reduce the impact of environmental risks and shocks | Formulate and implement sound environmental policies for land degradation, deforestation, biodiversity, erosion from road construction, urbanisation, mined out lands, urban degradation and pollution. | MLCPE/LCs/ CSOs |

ANNEX 3

SIERRA LEONE - PRSP: POLICY AND OUTPUT MATRIX, 2005–2007

| PILLAR 1: PROMOTING GOOD GOVERNANCE, SECURITY AND PEACE | | | |
|--|--|--|--|
| POVERTY ISSUE | POLICY RESPONSE | OUTPUT | PROGRESS INDICATOR |
| 1. Poor Governance in the public sector impedes the delivery of public services in an effective, transparent and accountable manner. | A. Improve access to justice for the poor. | A. Improved conditions of service in the judiciary and effective operation of local courts. | A. Timely adjudication of cases. |
| | B. Expand and strengthen implementation of current anti-corruption agenda. | B. Enforcement of tough anti-corruption legislation and prevention strategy. | B. Legal and administrative provisions to eradicate corruption. |
| | C. Build capacity and empower local councils. | C. Improved local level participation in decision-making. | C. Capacity building of local councils for service delivery. |
| | D. Design and implement a comprehensive public sector reform program for pro-poor service delivery. | D. A time-bound strategic plan for public sector reforms. | D. Public sector reform strategic plan, supported by public financial management reforms and fiscal decentralisation. |
| 2. Weak government institutions delay the appropriate implementation of development programs. | E. Build the institutional capacity of SSL to provide a suitable socio-economic database for policy-making. | E. A full capacity-building program for SSL. | E. TCAP for statistical capacity building. |
| | F. Build capacity for the effective implementation of the PRSP. | F. Establishment of appropriate structures for PRSP implementation. | F. Timely delivery of programmes and progress reports to all stakeholders. |
| 3. Decline in statistical capacity hampered Government's ability to prescribe appropriate policies and assess policy effectiveness. | Enhance the National Statistical System (NSS) for the timely production and dissemination of Socio-Economic indicators for policy making | A full capacity building programme for the National Statistical System (NSS) using the General Data Dissemination System (GDDS) as the framework for statistical development | More timely, relevant and better quality statistical indicators to monitor macro-economic performance, PRSP performance and progress in achieving the MDGs |
| 4. A perceived fragile security situation is not conducive to growth and poverty reduction. | Strengthen security forces to prevent and respond to internal and external security threats. | Renewed confidence in the security forces. | RSLAF and SLP, with support from intelligence service, operating effectively country-wide. |
| 5. A perceived fragile peace and reconciliation situation is not conducive to growth and poverty reduction. | Strengthen democracy and participation of the people. | TRC recommendations implemented. Social integration programs promoted at community level. | Parliament, NEC, Office of the Ombudsman, CSOs and other social structures operating effectively. |
| 6. A poor human rights record is unfavourable to sustainable peace and security. | Ensure respect for human rights and promote gender empowerment. | International charters of human rights and other specific rights mainstreamed in national legislation. | Functional gender and child rights management systems. |

Annex 3 continued

| PILLAR 2: PROMOTING PRO-POOR GROWTH FOR FOOD SECURITY AND JOB CREATION (WITHIN A STABLE MACRO-ECONOMIC ENVIRONMENT) | | | |
|--|---|---|---|
| POVERTY ISSUE | POLICY RESPONSE | OUTPUT | PROGRESS INDICATOR |
| (1) Unstable economic growth is an impediment to the ability of poor people to earn income and secure a sufficient nutritional status. | A. Maintain economic stability through sound fiscal and monetary policies. | A.. A signed memorandum of economic and financial policies between GoSL and the IMF for 2005-2007 (PRGF). | GDP growth of 6% pa; inflation below 5% pa; and fiscal deficit contained. |
| (2) Food insecurity is a major hindrance to human development and improved quality of life. | B. Diversify and intensify food production. | B Increased reliance on domestic food production and increased food security. | B. Increased year-round supply of food. |
| (3) Growing unemployment is a constant threat to political stability and economic growth. | C. Coordinate and implement a vibrant public investment program to provide supportive infrastructure to productive and service industries. | C. A medium-term Public Investment Program and a supportive Medium Term Expenditure Framework. | C. Expansion of infrastructure networks for improved access to production and market locations. |
| | D. Provide a favourable legal, regulatory and institutional framework for private sector development in the productive, infrastructure and service sectors. | D.A framework for private sector development in the productive, infrastructure and service sectors. | D. (1) Put in place: Export promotion; Support to SMEs; Financial services; Appropriate legal and regulatory environment for mining and tourism. (2) An investment code, the SLEDIC, operating effectively. (3) Complete and implement reform policies for energy, telecoms, land tenure and transport. |

Annex 3 continued

| PILLAR 3: PROMOTING HUMAN DEVELOPMENT | | | |
|--|--|---|---|
| POVERTY ISSUE | POLICY RESPONSE | OUTPUT | PROGRESS INDICATOR |
| 1. Limited access to basic social services affects human development outcomes. | A. Strengthen and expand current initiatives within the “Education For All” and the “Rehabilitation of Basic Education” projects with focus on the girl child. | A. Expanded access to education with increased enrolment of the girl child, improved quality of basic education and strengthened planning and management functions of the sector. | A. Progress reports on education sector investment program priorities. Publication of public expenditure tracking surveys. Increase budgetary allocations to finance funding gap in MEST. |
| | B. Provide a country-wide primary health care service package through implementation of the Bamako Initiative, expansion of preventive care and treatment of communicable diseases, as well as maternal and child health programs. | B. Improved quality of delivery of health services, increased access and affordability of services and improved health outcomes. | B. Progress reports on health sector investment program priorities. Publication of public expenditure tracking surveys. Increase budgetary allocations to finance funding gap in MOHS. |
| | C. Increase access to safe drinking water and improved sanitary conditions. | C Public works program for expansion of networks. Support to local councils and utility company. | C. Expanded of access to clean water, proper sanitary facilities and adequate sewage disposal services. |
| | D. Build capacity of communities for affordable housing, increase access to housing finance, improve living conditions in urban slums and provide technical support to housing ventures. | D. Land allocation schemes, trained artisans at village level, a housing microfinance program. | D. Training plan for artisans, provision of technical support to housing schemes and micro-finance program for housing. |
| | E. Formulate and implement a social protection policy for the vulnerable. | E. A community-driven program in place for all categories of vulnerable people, including the physically challenged. | E.A social protection program and clear procedures established for access to social and economic services. |

Annex 3, Pillar 3 Promoting Human Development, continued

| POVERTY ISSUE | POLICY RESPONSE | OUTPUT | PROGRESS INDICATOR |
|--|---|---|---|
| 2. Blanket poverty programs do not adequately address the specific needs of Women, Children, HIV/AIDS and the Environment. | A. Create an enabling environment for youth participation in development. | A. Establish a Youth and Development Dialogue Forum. | A. Youth schemes launched and operational. |
| | B. Provide direct support to children in difficult circumstances. | B. Formulate a policy framework for child survival, protection and development. | B. Corps of social workers, counsellors and youth workers for promotion of child protection program trained. Legislation in support of child protection enacted. Recreational facilities for children provided. |
| | C. Put in place policies for prevention of new infections, support to people living with HIV/AIDS and strengthen capacity to manage the epidemic. | C. A broad-based IEC program on HIV/AIDS. | C. Increased media messages on HIV/AIDS, expanded outreach, surveillance and monitoring of programs. |
| | D. Establish a legal framework to address gender-based violence, improve women's participation in decision-making and promote gender advocacy. | D. Up-dated legislation, enforcement of legislation and social safety nets for vulnerable women. | D. Legal framework for women's empowerment adopted and policies implemented. |
| | E. Develop and enforce a regulatory framework for environmental sanitation and hygiene. | E. A regulatory framework in place, supported by up-dated and ongoing environmental impact assessments. | E. Updated guidelines and strengthened enforcement of EIA recommendations. Early warning system operational. |

ANNEX 4

Sierra Leone PRSP: Indicative Costings for the Priority Actions (in million Leones)

| | 2005 | | 2006 | | 2007 | | TOTAL | |
|--|------------------|---------------|------------------|---------------|------------------|---------------|------------------|------------------------|
| | Million Leones | % of GDP | Million Leones | % of GDP | Million Leones | % of GDP | Million Leones | % Required Expenditure |
| Total Required Expenditure for Priority Areas | 1,786,799 | 53.3% | 1,736,157 | 45.9% | 1,792,049 | 42.5% | 5,314,987 | 100.0% |
| Pillar 1: promoting good governance, peace and security | 561,746 | 16.5% | 580,591 | 15.38% | 675,299 | 16.03% | 1,817,638 | 34.2% |
| Security | 336,952 | 10.05% | 400,628 | 10.61% | 430,269 | 10.21% | 1,167,850 | 21.9% |
| Security forces able to prevent and respond to external and internal security threats and to provide an enabling environment for poverty reduction | 336,952 | 10.05% | 400,628 | 10.61% | 430,269 | 10.21% | 1,167,850 | 21.9% |
| Peace Building | 63,813 | 1.9% | 39,888 | 1.1% | 42,082 | 1.0% | 145,783 | 2.8% |
| 1. Strengthen Democracy and Participation | 26,470 | 0.8% | 16,354 | 0.4% | 18,337 | 0.4% | 61,160 | 1.2% |
| 2. Ensure respect for human right including child and promote gender equality and empowerment | 36,473 | 1.1% | 23,268 | 0.6% | 23,576 | 0.6% | 83,317 | 1.6% |
| 3. Facilitate reconciliation amongst the Sierra Leonean population | 869 | 0.0% | 265 | 0.0% | 170 | 0.0% | 1,305 | 0.0% |
| Good Governance | 160,981 | 4.80% | 140,075 | 3.71% | 202,948 | 4.82% | 504,005 | 9.48% |
| 1. Improve pro-poor service delivery | 148,464 | 4.43% | 127,952 | 3.39% | 191,565 | 4.55% | 467,982 | 8.80% |
| 2. Improve access to justice for the poor | 2,140 | 0.06% | 1,383 | 0.04% | 550 | 0.01% | 4,073 | 0.08% |
| 3. Empowerment with Statistics | 10,377 | 0.31% | 10,740 | 0.28% | 10,832 | 0.26% | 31,950 | 0.60% |

Annex 4 (continued)

| | 2005 | | 2006 | | 2007 | | TOTAL | |
|---|----------------|--------------|----------------|--------------|----------------|--------------|------------------|------------------------|
| | Million Leones | % of GDP | Million Leones | % of GDP | Million Leones | % of GDP | Million Leones | % Required Expenditure |
| Pillar 2: Promoting pro-poor sustainable economic growth | 698,814 | 20.8% | 600,594 | 15.9% | 512,055 | 12.2% | 1,811,464 | 34.3% |
| Food Security | 209,482 | 6.2% | 213,158 | 5.6% | 206,087 | 4.9% | 628,727 | 11.9% |
| 1. Increase the year round supply of food through domestic food production | 163,447 | 4.9% | 163,852 | 4.3% | 159,832 | 3.8% | 487,131 | 9.2% |
| 2. Improve infrastructure related to food production, storage and distribution | 41,273 | 1.2% | 44,971 | 1.2% | 41,726 | 1.0% | 127,971 | 2.4% |
| 3. Coordinate the import market for food to compliment domestic production and cover the food gap | 250 | 0.0% | 250 | 0.0% | 250 | 0.0% | 750 | 0.0% |
| 4. Create enabling environment to bolster and sustain agricultural development for food security | 4,511 | 0.1% | 4,085 | 0.1% | 4,279 | 0.1% | 12,875 | 0.2% |
| Job Creation | 489,333 | 14.6% | 387,436 | 10.3% | 305,969 | 7.3% | 1,182,737 | 22.4% |
| 1. Promote the enabling environment for private sector investment | 289,304 | 8.6% | 172,320 | 4.6% | 120,384 | 2.9% | 582,008 | 11.0% |
| 2. Promote export (of surplus produce in the agricultural sector) | 136,444 | 4.1% | 136,503 | 3.6% | 132,464 | 3.1% | 405,410 | 7.7% |
| 3. Support the creation of SMEs | 2,670 | 0.1% | 1,410 | 0.0% | 1,150 | 0.0% | 5,230 | 0.1% |
| 4. Provide effective financial services through promotion of micro finance schemes | 1,000 | 0.0% | 1,500 | 0.0% | 2,000 | 0.0% | 4,500 | 0.1% |
| 5. Promote and support private entrepreneurs and investors in the tourist sector | 29,351 | 0.9% | 43,215 | 1.1% | 18,584 | 0.4% | 91,150 | 1.7% |
| 6. Promote employment opportunities for youth in the formal and informal sectors | 30,564 | 0.9% | 32,488 | 0.9% | 31,388 | 0.7% | 94,439 | 1.8% |
| Sound Macro-economic Management | | | | | | | | |
| 1. Promote effective debt management | | | | | | | | |
| 2. Improve monetary policy management | | | | | | | | |

Annex 4 (continued)

| | 2005 | | 2006 | | 2007 | | TOTAL | |
|--|------------------|---------------|------------------|---------------|------------------|---------------|------------------|------------------------|
| | Million Leones | % of GDP | Million Leones | % of GDP | Million Leones | % of GDP | Million Leones | % Required Expenditure |
| Pillar 3: Promoting Human Development | 526,219 | 15.7% | 554,971 | 14.7% | 604,693 | 14.4% | 1,685,885 | 31.7% |
| Education | 228,289 | 6.81% | 274,186 | 7.3% | 321,522 | 7.6 | 823,995 | 15.5 |
| 1. Expand access to basic education, focus on girl child | 199,335 | 5.9 | 228,443 | 6.1 | 259,028 | 6.2% | 686,807 | 12.9 |
| 2. Improve the quality of basic education | 23,767 | 0.7% | 40,364 | 1.1% | 56,928 | 1.4% | 121,059 | 2.3% |
| 3. Promote tertiary vocational training for youth on skills required by the labour market | 5,186 | 0.2% | 5,379 | 0.1% | 5,565 | 0.1% | 16,130 | 0.3% |
| 4. Develop capacity for planning, management, administration of education | | | | | | | | |
| Health | 1178,431 | 5.3% | 164,616 | 4.4% | 171,990 | 4.1% | 515,038 | 9.7 |
| 1. Reduce maternal, infant and under-5 mortality | 18,467 | 0.6% | 5,300 | 0.1% | 16,164 | 0.4% | 39,931 | 0.8% |
| 2. Reduce morbidity and mortality due to malaria and other communicable diseases | 11,394 | 0.3% | 6,628 | 0.2% | 12,847 | 0.3% | 30,868 | 0.6% |
| 3. Reduce incidence of HIV/AIDS and other sexually transmitted diseases; support people living with HIV/AIDS | 41,416 | 1.2% | 36,463 | 1.0% | 57,656 | 1.4% | 135,535 | 2.6% |
| 4. Reduce malnutrition amongst infants, young children, pregnant and lactating mothers | 3,658 | 0.1% | 11,867 | 0.3% | 16,213 | 0.4% | 31,738 | 0.6% |
| 5. Improve quality and delivery of the healthcare system | 103,496 | 3.1% | 104,360 | 2.8% | 69,110 | 1.6% | 276,966 | 5.2% |
| Water and Sanitation | 43,224 | 1.3% | 40,235 | 1.1% | 36,582 | 0.9% | 120,041 | 2.3% |
| 1. Improve access to safe drinking water and sanitation | 42,788 | 1.3% | 40,180 | 1.1% | 36,544 | 0.9% | 119,512 | 2.3% |
| 2. Strengthen and coordinate service providers | 436 | 0.0% | 55 | 0.0% | 38 | 0.0% | 529 | 0.0% |
| Vulnerables | 76,275 | 2.3% | 75,934 | 2.0% | 74,601 | 1.8% | 226,811 | 4.3% |
| 1. Improve the social status of the disabled | 70,650 | 2.1% | 72,148 | 1.9% | 71,227 | 1.7% | 214,025 | 4.1% |
| 2. Improve and promote child protection | 3,071 | 0.1% | 511 | 0.0% | 511 | 0.0% | 4,093 | 0.1% |
| 3. Increase access of vulnerable groups to food | 350 | 0.0% | 280 | 0.0% | 250 | 0.0% | 880 | 0.0% |
| 4. Combat drug and substance abuse amongst youth | 2,204 | 0.1% | 2,996 | 0.1% | 2,613 | 0.1% | 7,813 | 0.1% |
| Total Required Expenditure for Priority Areas | 1,786,779 | 53.0% | 1,736,157 | 45.7% | 1,792,049 | 42.5% | 5,314,987 | 100.0% |
| Nominal GDP | 3,353,064 | 100.0% | 3,775,312 | 100.0% | 4,212,226 | 100.0% | | |

