

Sierra Leone Conference – Consultative Group Meeting

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I. Opening session:

Mr. President, Honorable Ministers, distinguished guests, it is an honor to co-chair and participate in this important meeting on behalf of the World Bank. Let me also thank the UK Government for hosting the event.

You have already made an impressive start with the Trade and Investment Conference yesterday. Let me congratulate everyone involved on an excellent effort and let us hope this marks the beginning of increased investments in the Sierra Leone economy.

The Bank comes to this CG meeting proud to have supported Sierra Leone's extraordinary reconstruction efforts and will continue to work closely with GoSL and development partners to help the country succeed.

Seven years out of brutal conflict, Sierra Leone is today a peaceful country with good prospects to emerge from its post-conflict status and progress towards a stable society and a prosperous economy. The goal of our meeting today is to evaluate the recent past and draw together plans for the future, guided by the Government's vision, and by a desire to harmonize our international support in ways that minimize transaction costs and build local capacity. In doing so, we are fully aware of both the historical window of opportunity that exists today to help launch Sierra Leone on a trajectory of growth and development, different from its recent history, but also, of

the challenges posed by the recent series of shocks in the international economy, as well as the deep rooted governance, capacity and corruption challenges you face.

The challenges ahead are many, and recent performance shows that they are starting to be addressed. Persistence with reforms, capacity building and learning by doing are the keywords for the next years. Let me quickly mention a few of the challenges now and perhaps come back to some others later.

Poverty remains widespread and a large segment of the population has minimal access to basic services. Health outcomes remain among the lowest in the world. But in recent years, the availability of services has improved significantly, albeit from a very low base and there seem to be early signs of a fall in under-five child mortality. Similarly, enrollment rates in education have gone up significantly. We welcome all of this. But while we are on the subject of human development, let me also mention the importance of focusing on development opportunities for women, not least the importance of educating girls. Apart from the fairness aspect of girls' education, few things contribute more to your future development.

Since the end of the civil war the economy has grown as near 10% p.a., but has now slowed down to 4% in 2009 as a result of the food, fuel, and financial global crises. We commend the Government for its efforts to develop a safety net for those heavily hit by these shocks, and to at the same time, redouble reform efforts to improve the investment climate and reduce the cost of doing business. There are potential growth opportunities in agriculture, services, and mining. We are encouraged to see the overwhelming interest of potential investors yesterday at the Trade and Investment Forum. Indeed, creating private sector jobs for the youth, and improving their skills, will be a central challenge for years to come. A particularly distressing legacy of the civil war is

the lost generation which was uprooted and lost out on schooling. Today, youth employment is a national priority and a social, economic, and security challenge.

But, to deliver services and jobs, good governance is a must and fighting corruption essential. Here Sierra Leone and its government is battling against the legacy of decades of corruption, including clientelism. We were pleased to note that yesterday Transparency International announced the 2009 ranking where SL moved up 12 places. This improvement is in line with the Mo Ibrahim Index ratings, indicating that the Government has made an important start in reversing old habits. A strong anti-corruption commission, with a mandate to prosecute, the roll out of a national public procurement act to all ministries, legislation to remove administrative barriers to business, asset declaration by President and all Ministers, a freedom of information bill are all steps in the right direction. I want to highlight particularly the work of the Anti Corruption Commission and, while not prejudging the merits of the recent indictment of a minister, want to commend its proactive work, no doubt done under very difficult circumstances. We also believe passing a freedom of information bill and mobilizing civil society for government accountability can be extremely powerful. Effective decentralization of power, a strong Parliament, a capable judiciary, and a vibrant civil society are all important means to hold Government accountable and ensure its effectiveness. Investments in the improvement of the capacity of civil servants are equally important, as the civil service has been badly damaged by decades of decline, including the exodus of many of its competent staff.

Facing all these challenges head on is a key to success. And facing them successfully is important for your mobilization of resources, be it development aid or investments. We are, therefore, very pleased to note that the Government has, in its Resource Mobilization Strategy note, made it an implicit objective to improve the CPIA ratings which guide the IDA and AfDF

resource allocations. There is much to be gained financially from improvements in these ratings, in addition to the fact that they are proxy indicators for real improvements in the lives of ordinary citizens.

EITI. Prospects for oil discovery in Sierra Leone have made the news in recent months. From my personal experience in Nigeria, let me state that this is an exciting development which can support more prosperity, but only if it is well managed. Sierra Leone is a relatively new member of the EITI and the Bank will continue to support the Government on this front. We are also keen to explore how the whole value chain of the extractive industries can be improved to become an ally of sustainable and community-friendly economic development.

Regional Integration. While domestic stability has been achieved, Sierra Leone remains challenged politically and economically by the vulnerability of the sub-region and the growth of the drug transit trade. Regional cooperation must remain high on the agenda (especially for fisheries, energy, and mining) but also to contain instability in one country spilling over to its neighbors.

We strongly commend the Government's leadership on aid coordination and effectiveness and we look forward to the presentation of the aid policy framework. Our own analysis has indicated that while Government and Partners relations are generally good, there are weaknesses and opportunities that need to be addressed. These include aid fragmentation, parallel and not necessarily effective implementation mechanisms, timid use of country based mechanisms, and a significant proportion of aid not delivered on budget. We look forward to working with government and partners in implementing the aid policy and strengthening alignment and harmonization, to bring us closer to fulfillment of the Accra Agenda. In this context, we propose

that we all jointly work on a time bound action plan and we organize in early 2010 a Sierra Leone High Level Aid Effectiveness Forum with Government, donors, and civil society to exchange experiences and make further progress on this important agenda.

The World Bank remains strongly supportive of Government and its accomplishments. There have been improvements from a low base, and so the situation remains fraught with risks. The international community must sustain its support over the long term and transition to larger, more sustained, and more efficient and effective programs. The Bank is committed to these outcomes and will work hard with Sierra Leone and our partners to see them through.

With these opening remarks, I look forward to a day of discussion and lively interaction.

II. PRSP session

Agenda for Change/PRSP II. Let me start by congratulating the Government and people of Sierra Leone on this well articulated national strategy – and the Minister of Finance on an excellent presentation. In addition to our support for its focus areas, we also very much welcome that the new strategy has strong national ownership, having been prepared through consultations over a period of 18 months. Just last month the Bank and IMF Executive Boards endorsed the PRSP and commended its twin focus on human development and growth.

Let me just add a few observations to those I made in my opening statement.

The focus on human development must continue and accelerate -- Sierra Leoneans need more and better services and the country needs to pull away from the lowest rungs of the Human development Indicator. Growth is equally necessary, through private sector development,

notably agriculture and fisheries, underpinned by larger investments in critical underlying infrastructure in water, transport and energy.

The PRS recognizes the role of infrastructure in facilitating private sector growth. One of the fundamental constraints on job creation and poverty reduction in Sierra Leone is low access to electricity and the sorry state of its transport network.. The commissioning of Bumbuna Dam marks an important milestone for the energy sector. More comprehensive efforts will be needed to consolidate the gains, including on the management of the National Power Agency, the safety of the dam, and the rehabilitation of distribution, and the expansion of the network. We also want to point out the potential for low carbon energy production, something Sierra Leone may want to make a centerpiece of its energy policy.

A good transport network is also critical for growth in key sectors of the economy and in meeting the MDGs. Given their importance for growth in agriculture and for the quality of life in rural areas special efforts are needed to maintain regularly rural and feeder roads connecting villages and farm areas to market centers. These areas require strong support from the development partners.

In addition to our endorsement of the four priority areas, agriculture, energy, transport infrastructure and human development, we also want to register our appreciation of good governance, macroeconomic stability, private sector development and good management of natural resources as the underpinnings of implementing the priorities. Furthermore, the explicit identification of youth unemployment, corruption and illicit drugs as major risks is highly commendable. We look forward to working with you on the implementation of your priorities, the strengthening of the underpinnings and the mitigation of the risks.

III. Aid Policy, Alignment and Harmonization

As I stated in my interventions this morning, the World Bank remains committed to being a good partner to Sierra Leone as it moves forward in implementing its Agenda for Change. Our Board has already endorsed our staff assessment of the Agenda for Change and we are fully behind the Government's priorities. But, the resources we can offer through IDA are fairly limited, partly due to the mediocre overall CPIA ratings and, more specifically, the quite low governance ratings in the CPIA, which govern around two thirds of the CPIA based allocation. Let me again repeat our encouragement to Government to address head on the governance weaknesses which have contributed to these ratings. It is noteworthy that, mainly due to higher CPIA ratings, your neighbors in Burkina Faso receive \$ 12-14 per capita, versus the \$ 5 dollars Sierra Leone receives, and your neighbors in Ghana receive around \$ 20 per person. If you were to match Burkina Faso, it would result in approximate \$ 30-50 million extra each year from IDA, and if you could match Ghana it would mean possibly as much as \$ 100 million extra from IDA. But, on that note let me hand over to our Country Director for Sierra Leone to address how we plan to support the implementation of the Agenda for Change.

Our Assistance Strategy. The Bank is finalizing a Joint Country Assistance Strategy (JAS) that will be presented to our Board shortly. A draft has been circulated, and we welcome your suggestions. This is a joint strategy for the Bank Group (that includes IDA, IFC, and MIGA) and the African Development Bank Group, in support of the country's PRS. In preparing the JAS, we have already consulted widely with stakeholders and partners. The JAS is tightly coordinated with the efforts of other Development Partners, notably the DfID/EC joint support strategy, and the new "joint-vision" of the UN family.

The JAS has been developed around two pillars following the PRSP structure. One pillar focuses on investments in human development, through support to decentralized delivery in health, education and water supply, as well as dedicated support to primary education (Education for All - EFA-FTI) and reproductive and child health, to address child and maternal mortality. The second pillar supports the growth agenda through financing of investments in agriculture, fisheries, energy, transport and the financial sector.

The JAS also mainstreams support for cross-cutting needs that are central to SL at this stage of its development: good governance and capacity building, and private sector development. We will continue with our investments in better Public Finance Management, at both the central and local levels, and new efforts to improve the institutions that ensure accountability, including the anti-corruption commission, the parliament, and civil society groups. We will be supporting the development of capacity in both central ministries, and in the delivery of health and education services. Without meaningful increases in capacity, Government will struggle to convert policies into actions and results. Similarly, opportunities for private sector led growth are being sought in all sectors to create jobs for the unemployed youth. The JAS also supports Sierra Leone's regional integration agenda, notably in the areas of fisheries, mining, agriculture, and energy.

We are taking special care to ensure that our interventions are gender friendly. Gender remains a critical issue and women are particularly vulnerable to extreme poverty and high maternal mortality. In the context of a Client Survey and the in-country JAS consultations, economic empowerment of women is consistently presented as an important gender priority, along with the need to reduce maternal mortality. A Country Gender Assessment and Gender Profile to be conducted with the AfDB, DFID and the European Commission (EC) and will be used to verify priorities and inform interventions.

There is close cooperation between the World Bank Group, the AfDB, DFID, and the EU in providing budget support to Government. This is underpinned by a broad policy dialogue that also brings in other donors, in large parts connected to strategic governance issues. In addition, the Bank has developed a close working relationship with the German Development Cooperation in the field of private and financial sector development. We also work closely with UN agencies in health, education and agriculture, to mention some areas.

IDA Resources. With the end of post-conflict allocation for Sierra Leone, the IDA resource envelope is now quite limited, at around \$30 million a year. But we have been able to augment that by tapping into other funds, often provided by the Development Partners sitting around this table. We will continue to actively mobilize significant funds from regional IDA resources, dedicated thematic funds (such as EFA-FTI, Africa Catalytical Growth Fund, or the Global Food Crisis Response Facility). I'm pleased to note that last week we approved an additional US \$ 4 million from our crisis response facility, to be used to expand our cash for work program, which we particularly hope will provide much needed jobs for young people. We will also continue to work in the spirit of close donor coordination and collaborate on various co-financing mechanisms with our bilateral development partners. Overall, we are optimistic that Sierra Leone's IDA resources will increase over time as the Government has a strong commitment to address weak policy areas, including on the governance front, that will lead to a higher Country Policy and Institutional Assessment (CPIA) score and thus to higher DA allocations.

Project pipeline. Since January 2009 the Bank's Board approved so far a total of US \$48 million of IDA support for Sierra Leone. (US \$4 million Public Financial Management project; US \$20 million Decentralized Service Delivery; US \$20 million Regional Fisheries; US \$4million Cash for Works). There are another US \$14million planned for approval by the end of

December (US \$4 million Mining Technical Assistance, US \$10 million Budget Support). All in all, this means an overall amount of US \$69 million support this calendar year, much of that from non-national IDA resources. Until 2013 the JAS foresees a project pipeline amount of about US \$93million.

Launching a new Infrastructure MDTF. In response to the Government's request, the Bank has established a new Multi Donor Trust Fund for infrastructure development. The objective of this Trust Fund is to provide a vehicle for donors to pool resources to support the Government of Sierra Leone in improving basic infrastructure in order to (i) to increase economic growth; (ii) allow increased access to basic services; and (iii) improve the efficiency and effectiveness of infrastructure development including better governance and accountability; and (iv) build more capacity to plan and manage development projects. We are encouraging donor partners to consider pledges to this Trust Fund. The Government of Sierra Leone, DfID and the Bank's energy team are already working on a potential energy project co-financed by IDA and the MDTF. My colleagues will be glad to provide further details.