

PCR EVALUATION NOTE
SIERRA-LEONE ECONOMIC REHABILITATION AND RECOVERY PROGRAM
(ERRL II)

1. THE PROGRAM

Appraisal Date	2003	Loan #	210050007208	Loan Amount (UA million)	17.28
Loan Signature Date	13 January, 2004	Approval Date	December 10, 2003	Project Completion Date	12 July, 2005
Loan Effectiveness Date	February, 2004			PCR Date	January 2003
NA= Not Available. Source: Bank Staff PCR					

1. 1. Objectives

1.1.1. Consistent with the country's medium-term development strategy as defined in the Interim. PRSP for the period 2001-2003 and the subsequent National Development Strategy for the period 2001-2004, the principal development objective of the Second ADF Economic Rehabilitation and Recovery Loan (ERRL II) was to consolidate and deepen the policy reforms implemented under the previous programs and to improve economic and political governance and combat poverty. On the other hand, program-specific Objectives comprised of the following: i) improving public financial management; ii) improving the soundness of fiscal budgeting process; iii) developing an improved public procurement system; and iv) implementing civil service reform.

1.2. Program Components

1.2.1. The main program components consisted of the following components and sub-components: i) Public Financial Management, involving the following sub-components: a) budgetary process-accountability and transparency; b) strengthening internal control structures; c) strengthening the MTEF process ii) Fiscal Budgeting Process; iii) Public Procurement: actions envisaged under this rubric included the discontinuation of the Central Tender Board, the creation of a Procurement Steering Committee and the enactment of a new National Procurement Act ; and iv) Civil Service Reform, with major activities envisaged such as verifying the civil service headcount, eliminating ghost workers and reviewing the remuneration structure.

1.3. Program Results (Outputs and Outcomes)

1.3.1. Wide-ranging outcomes were expected to result from the implementation of ERRL II. These included the following outputs, envisaged at appraisal: i) Enactment by Parliament of Budgeting and Accountability Act in 2004; ii) Compliance by the Government of Sierra Leone with PRGF's quantitative and structural benchmarks; iii) Reducing the "Unaccounted for Budget items from Le.8.5 billion to below Le.3.0 billion by December 2004 and eventually eliminating it; iv) increasing budgetary allocations earmarked for pre-primary and primary education from 6.48% of the total non-wage, non-salary outlays, to about 7.5% in 2004 and 8.5% in 2005; v) raising budgetary allocations for primary health care from about 2% of public total non-interest, non-

salary expenditure in 2003 to 3.5 % in 2004 and 4.5% in 2005; and vi) Enactment by Parliament of a new Procurement Bill.

1.3.2. Outputs generated under ERRL II are as outlined below.

i) Public Financial Management: Outputs comprised of: a) Enactment of Government Budgeting and Accountability Act in February 2005; b) the adoption of a Medium-Term Expenditure Framework (MTEF); c) introduction of the Integrated Financial Management Information System (IFMIS); d) Legislative amendments passed to obligate the Government to respect the deadlines for the submission of financial reports and accounts to Parliament; e) inception of Public Expenditure Tracking Surveys (PETS) and service delivery surveys as the basis for monitoring improvement in public service delivery.

ii) Public Procurement System: Outputs comprised of : a) Enactment of the National Public Procurement Act in December, 2004; b) Establishment of the National Procurement Authority Board and the Independent Review Panel; c) Establishment of Procurement Committee in all line ministries.

iii) Civil Service: No substantive achievements were registered. A survey and audit of the civil service to eliminate ghost workers was initiated.

Program Financing:

1.4. Aimed to cover anticipated foreign exchange resource gap during the period 2004-2005 due to poor economic performance, the second ERRL II involved total commitment in the amount of UA 17.28 million by ADF, approved on 10 December, 2003 and the World Bank in the amount of US\$55.00 million. Preceding this loan was an earlier facility (ADF Institutional Support Project for Capacity Strengthening, Governance, and Poverty Reduction), approved in November 2001 to strengthen institutions critical for the implementation of ERRL II.(e.g. PRSP process capacity building, the Auditor General's Department, the Attorney General's Office, the Ministry of Justice, the Ministry of Finance and Parliament). Other development partners were engaged in parallel programs designed to support the reform program in Sierra Leone. Parallel financing for the program was provided by IMF (US\$74.60 million for PRGF), the European Union (US\$56.68 million), DfID (US\$63.98 million)

2. PCR CONCLUSIONS AND PERFORMANCE RATINGS

Conclusions

2.1. The program was satisfactorily implemented within the scheduled period from January 2004- July 2005. The major delay encountered was in reaching loan effectiveness, which delayed for 51 days following loan approval. A mid-term review by donors in January 2004 revealed that implementation was satisfactory as 8 out of 12 macroeconomic targets had been met. The only targets that were not attained and for which the IMF authorized waivers concerned requirements for government borrowing, budgetary deficit and total domestic revenue mobilization. The release of the first tranche

was also premised on the fulfillment of seven other substantive loan conditions, all of which were met, resulting in the first disbursement, although with a 3-month delay, on 27 April, 2004¹.

2.2. The availability of the second tranche was also premised on fulfillment of conditions critical to the successful implementation of the program. These comprised of enactment of public procurement legislation, strengthening the financial management accounting system; undertaking an extensive census of the civil service and elaboration of a transparent investment code. Following an ADF mid-term review in March 2005, it was concluded that these conditions had been fulfilled and that macroeconomic indicators continued to show satisfactory performance. Following justification of the utilization of the resources of the first tranche, the second tranche was released on 12 July, 2005; this was 6 months longer than the appraisal target date. The IMF also released US\$21.1 million to finance the 2005 budget deficit and provided additional assistance in the amount of US\$22 million under the HIPC initiative. The delay in the release of the second tranche was due to delays in the Central bank's justification of the utilization of resources under the first tranche and procrastination because of staff constraints on the part of the Bank in fielding the mid-term review mission.

2.2. Performance Ratings:

2.2.1 The PCR accords an overall satisfactory performance rating of 2.5. Nonetheless the ratings are based on a format that is different from the one used in the PCRs reviewed to date. As indicated in Annex 2: "The annex completed in the PCR is not in the format used in the PCRs reviewed so far and have component indicators that are not in the usual format or have omitted component indicators that appear in the usual format. (Usual component indicators on institutional development, sustainability and project results (outcomes) were missing in the format used in the PCR."

3. LESSONS LEARNED

3.1. The PCR identified a number of lessons from the implementation of ERRL II which could be useful in improving similar operations in future. One important lesson worthy of reiteration here is that countries emerging from conflict situations may not have requisite capacities to undertake recommended reforms within given time horizons, which may be unrealistic or overly ambitious timeframes within which to implement reforms. Based on this experience, the emerging lesson is that civil service reforms and privatization are of secondary importance in post-conflict countries, where the utmost priority is placed on consolidating peace, resettling people, revitalizing the economy, rehabilitating infrastructure and restoring basic services. The second lesson stresses the need to set a few critical conditions precedent to tranche releases in order to ensure effective program implementation; the program under review had 11 conditions, 7 of which were linked to the first tranche and 4 to the second tranche.

¹ Other loan conditions were: establishment of a special account; establishment of a Steering Committee and a Technical Committee to assist in ERRL II implementation; submission of evidence confirming completion of audit of the Ministry of Education, Science and Technology and follow up actions on implementation of audit recommendations; completion of a PETS exercise and a plan for implementing the survey's recommendations and lastly, enactment of the Government Budgeting and Accountability Act.

4. BORROWER'S PCR AND INPUTS TO BANK STAFF PCR

4.1. The Borrower submitted to the Bank a Project Completion Report. The extent to which the report was used as an input in the preparation of the Bank's Staff PCR is not known.

5. PCR QUALITY RATINGS

5.1. On the whole the quality of the PCR is rated as satisfactory. The ratings and pertinent explanations are presented in Annex 2.

ASSESSMENT OF IMPLEMENTATION AND BANK PERFORMANCE AND PROJECT RESULTS/OUTCOMES				
	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
1. IMPLEMENTATION PERFORMANCE ASSESSMENT				
i)	Adherence to implementation schedule	3.0	3.0	
ii)	Adherence to cost schedule	3.0	3.0	Not rated in the form used in the PCR
iii)	Compliance with covenants and conditions	3.0	3.0	
iv)	Adequacy of monitoring evaluation and reporting	2.5	2.5	Adopted PCR's 2.5 as proxy rating
v)	Satisfactory operations	2.5	2.5	Adopted PCR's 2.5 as proxy rating
TOTAL SCORES		14.0	14.0	
AVERAGE RATING		2.8	2.8	
PERFORMANCE OF THE BANK				
	Component Indicator	Rating (1-4)		Comments
i)	Identification	2.5	2.5	Adopted PCR's 2.5 as proxy rating
ii)	Preparation	2.5	2.5	Adopted PCR's 2.5 as proxy rating
iii)	Appraisal	2.5	2.5	Adopted PCR's 2.5 as proxy rating
iv)	Supervision	2.5	2.5	Adopted PCR's 2.5 as proxy rating
TOTAL SCORES		10.0	10.0	
AVERAGE RATING		2.5	2.5	
PROGRAM RESULTS (OUTCOME)				
	Component Indicator	Rating (1-4)		Comments
1. Relevance and achievement of objectives				
i)	Macro-economic policy	2.5	2.5	Adopted PCR's 2.5 as proxy rating
ii)	Sector policy	2.5	2.5	Adopted PCR's 2.5 as proxy rating
iii)	Physical output	2.5	2.5	Adopted PCR's 2.5 as proxy rating
iv)	Financial aspect	2.5	2.5	Adopted PCR's 2.5 as proxy rating
v)	Poverty reduction, social impact and gender	2.5	2.5	Adopted PCR's 2.5 as proxy rating
vi)	Environment	N/A	N/A	
vii)	Private sector development	2.5	2.5	Adopted PCR's 2.5 as proxy rating
TOTAL SCORES		15.0	15.0	
AVERAGE RATING		2.5	2.5	
2. Institutional Development				
i)	Institutional framework including restructuring	2.5	2.5	Adopted PCR's 2.5 as proxy rating
ii)	Financial and integrated systems of management including audit systems	2.5	2.5	Adopted PCR's 2.5 as proxy rating
iii)	Transfer of Technology	N/A	N/A	
iv)	Staffing by qualified/skilled personnel (including turnover), training and counterpart staff.	2.5	2.5	Adopted PCR's 2.5 as proxy rating

ASSESSMENT OF IMPLEMENTATION AND BANK PERFORMANCE AND PROJECT RESULTS/OUTCOMES				
	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
	TOTAL SCORES	7.5	7.5	
	AVERAGE RATING	2.5	2.5	
3.	Sustainability			
i)	Continued commitment of borrower	2.5	2.5	Adopted PCR's 2.5 as proxy rating
ii)	Environmental policy	2.5	2.5	Adopted PCR's 2.5 as proxy rating
iii)	Institutional framework	2.5	2.5	Adopted PCR's 2.5 as proxy rating
iv)	Technical viability and staffing	N/A	N/A	
v)	Financial viability (including cost-recovery)	2.5	2.5	Adopted PCR's 2.5 as proxy rating
vi)	Economic viability	N/A	N/A	
vii)	Environmental viability	N/A	N/A	
viii)	O & M facilitation (foreign exchange and recurrent cost financing availability,etc)	2.5	2.5	Adopted PCR's 2.5 as proxy rating
	TOTAL SCORES	12.5	12.5	
	AVERAGE RATING	2.0	2.0	
4.	Economic rate of return	N/A	N/A	
	TOTAL SCORES	59.0	59.0	
	OVERALL RATING	2.46	2.46	

ANNEX 2			
PCR QUALITY ASSESSMENT AND RATING			
Basic Data Sheet			
Project Loan #		210050007208	
Title		Economic Rehabilitation and Recovery Program (ERRL I)	
Borrower		Government of Sierra Leone	
Executing Agency		Ministry of Finance	
		Not	
PCR CHAPTER		RATING (4-Point scale)	
		REMARKS	
1	Adequacy of analysis of project goals, objectives and formulation including the verifiable indicators, consistency with appraisal and subsequent revisions	3.0	Satisfactory
2	Adequacy of analysis of project execution including procurement issues, disbursements, borrower's reporting and assessment of monitoring and evaluation achievements	3.0	Satisfactory
3	Soundness of judgment on project performance and results including operating results, economic and financial and related conditions/covenants and their fulfillment, institutional, performance of consultants, contractors, suppliers and other parties.	3.0	Satisfactory
4	Adequacy of analysis of social and environmental impacts	3.0	Satisfactory for social impact analysis. Environmental impact analysis was not irrelevant for this balance of payments and general budget support operation.
5	Soundness of judgment on project sustainability, plan for future project operations' phase and maintenance.	4.0	Sustainability analysis was well done and documented in the PCR- in particular, reference to subsequent Bank operations such as ERRL III and the ADF Grant Institutional Support to Strengthen Public Financial Management and the Energy Sector, approved in April 2005.
6	Soundness of judgment on performance of the Bank, borrower and co-financiers.	3.0	OK
7	Consistency of overall rating with individual rating components.	2.0	The annex completed in the PCR is not in the format used in the PCRs reviewed so far and have component indicators that are not in the usual format or have omitted component indicators that appear in the usual format. (usual component indicators on institutional development, sustainability and project results(outcomes) were missing in the format used in the PCR.
8	Adequacy of analysis and clarity of conclusions, lessons learned and recommendations	3.0	OK
TOTAL SCORES		25	
9	OVERALL RATING	3.12	Satisfactory
OPEV and Country Department Agree/Disagree on Project Performance Rating:			
Opinion of the Department Concerned:			
Borrower's PCR and Inputs to Bank Staff PCR: The Borrower completed a Project Completion Report. The extent to which the report was used in the preparation of the Bank's PCR was not indicated.			
Conclusion: Despite some delays in the materialization of the first and second tranche releases, which involved the fulfillment of all 11 prescribed conditions precedent, the majority of the program's objectives and expected outcomes (with the exception			

	of civil service and privatization reforms) were achieved at an overall satisfactory level. Like its predecessor ERRL I, this program constitutes a model of a post conflict program worthy of emulation and replication.
	Priority of Project for Performance Evaluation Report, Impact Evaluation, Country /Sector Reviews or Thematic Evaluation Studies: This program and its predecessor (ERRL II) deserve to be used as case studies or success stories for post conflict balance of payments and general budget support programs in a thematic study. “Post Conflict Development Policy Operations.: Successes and Failures”
	Major Issues of Focus in the proposed Thematic Study: As suggested for ERRL In namely: Quality at entry, Program design, Role of the Bank, Role of the Borrower, Role of Development Partners or Co financiers, Linking of tranche releases to conditionalities, etc.
	Follow-Up Action/Decision: Follow up on subsequent complementary facilities by the Bank, the Fund and other development partners is recommended to update this success story.