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West and Central Africa , Caribbean and OCT's  
**Relations with the countries and the region of West Africa**

## **2004 Mid-Term Review – Sierra Leone**

### **Draft conclusions**

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## **1. EXECUTIVE SUMMARY**

The 2003-2007 Sierra Leone Country Strategy Paper / National Indicative Programme was signed in Freetown in July 2003. Of the total amount of € 220.0m, € 144.0m is allocated to the A-envelope, with (i) rehabilitation of priority infrastructure, (ii) institutional support and good governance, (iii) budgetary support as focal sectors and € 76.0m is allocated to the B-envelope.

Adding uncommitted balances transferred from previous EDFs (€10.7m) and expected decommitments in 2004 (€4.3m), total programmable resources under the A-envelope amount to €159.0m. Out of €76.0m allocated to the B-envelope, €50.0m (69 %) was committed in 2003. Taking into account the allocation of €3.3m to the African Peace Facility, €22.7m of the B-envelope remains uncommitted.

Since the end of the civil war in 2001, Sierra Leone has achieved remarkable progress with regard to the restoration of civil administration, the rehabilitation of infrastructure and the recovery of the country's economy. Security has been re-established and maintained, not without massive support of the international community. Under difficult logistical conditions, presidential and parliamentary elections were conducted in May 2002, leading to a legitimate and internationally recognised government. The respect for human rights and fundamental freedoms has been restored after a decade witnessing the most serious violations of human rights. At present, the country is fully supported by the international donor community in its recovery and development efforts.

Programme implementation and financial country performance have been marked by considerable delays and low historic performance, partly due to a slow-down of activities during the civil war. Since the signature of the 9<sup>th</sup> EDF, primary commitments have shown a steep increase, with funding decisions worth €112.7m taken by December 2003. In turn, the speed of assignments (€24.2m) and disbursements (€10.8m) still remained insufficient in 2003. Major programmes funded from previous EDFs are still under implementation, leaving € 63.2m still to be assigned and € 93.6m to be disbursed. However, the prospects for future implementation are improving, given that the Delegation will be fully "deconcentrated" in 2004 and that its staffing situation has seen major improvements. The current ECHO relief programme will be phased out in 2004 and will be linked to long-term development support by an LRRD programme funded from the B-envelope. In addition to EDF funds, Sierra Leone continues to benefit from Commission budget lines, including the European Initiative for Democracy and Human Rights (EIDHR).

With regard to sector performance, the transport sector has seen some progress but major structural problems, including the reform of the road fund, remain to be resolved. In the areas of governance and institutional support, the reform process has been generally slow, as the donor community is increasingly concerned at the little progress that has been made in the fight against corruption. Major delays have been observed in the completion of the PRSP process, the final document now being expected for the second half of 2004.

Based on the assessment of the overall country performance and the implementation prospects for the 2004-2007 period, and considering Sierra Leone's particular post-conflict situation, it is proposed that the country strategy be maintained and an amount of € 10.0m be transferred from the B-envelope to the A-envelope, thus increasing allocations to focal sectors I (rehabilitation of infrastructure) and II (governance and institutional support). € 12.7m will remain available in the B-envelope for unforeseen needs.

## 2. POLICY AGENDA OF SIERRA LEONE

Sierra Leone's policy agenda has been largely determined by the needs and priorities resulting from a decade of civil war. It therefore gives high emphasis to security, recovery, rehabilitation and restoring the economy. An interim Poverty Reduction Strategy Paper (I-PRSP) was adopted in June 2001, distinguishing two phases: a post-conflict transitional phase for 2001 and 2002, and a medium-term phase from 2003 to 2005.

The interim phase focused on improving the situation of the most vulnerable groups, including returnees, internally displaced persons (IDPs) and other victims of the war, as well as on the urgent reconstruction and rehabilitation of basic infrastructure. The main objectives set were (a) the restoration of security for life and property, including the protection of human rights, (b) the re-launching of the economy and (c) the provision of basic social services to the most vulnerable groups together with better access to productive assets. Whereas a number of precise benchmarks were defined for the transitional phase, only few operational objectives were defined for the medium-term phase.

This gap was partly closed by the preparation of the National Recovery Strategy (NRS), presented at the donor round table in November 2002 in Paris. The NRS was initially meant to be implemented by December 2003 but was recently extended. Like the I-PRSP, it addresses immediate post-conflict needs rather than long-term development strategies and objectives. The main areas covered by the NRS are the restoration of state authority and administration, the rebuilding of communities, peace building and human rights, and the restoration of the economy.

The full PRSP, urgently needed as a framework for long-term development and related sector strategies, has still not been completed. It appears that even the revised June 2004 deadline, as set in January 2004, may not be met. Further delays would have negative consequences for donor support and the completion of the HIPC process. In particular, the absence of properly defined policies in social sectors and the absence of relevant indicators and targets are likely to hamper any future budget support for poverty reduction.

## 3. MAIN POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENTS

Security and political situation: The security situation has been globally stable since the end of the civil war in 2001 but remains fragile. By the end of 2003, some 11.500 UN peace keeping troops were still in the country. However, several events undermining security occurred in the course of 2003, including the attack on a military warehouse in Freetown that was part of an alleged coup attempt attributed to former junta leader, Johnny Paul Koroma. Threats to the constitutional order are also perceived from disgruntled elements of the Civil Defence Force, a former pro-Government militia, whose former leader and ex-Minister for Internal Affairs, Hinga Norman, has been indicted by the Special Court and is awaiting trial.

One of the main positive developments in 2003 was the completion of the national Demobilisation, Disarmament and Reintegration programme for more than 51.000 ex-combatants.<sup>1</sup> There is, however, concern as to whether the comparatively short

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<sup>1</sup>) The Commission contributed €12,2m to the DDR multi-donor trust fund from 8<sup>th</sup> EDF resources.

professional training offered to ex-combatants in various trades will prove to be sufficient to provide sustainable livelihoods. Also, some risk relating to “migrating” mercenaries in the sub-region cannot be ruled out, particularly if economic re-integration of ex-combatants were not fully successful.

Assuming a stabilising security situation and capacity building activities of the Sierra Leonean army, the UN peace keeping force UNAMSIL was scheduled to complete its draw-down plan by December 2004. Further to the results of a DPKO<sup>2</sup> mission to Sierra Leone in February 2004, the UN Security Council, however, decided to maintain a 3.500 troop UN follow-on mission in the country in order to ensure security and to further accompany the reform of the national security institutions. Sierra Leone’s security situation will also remain largely dependent on further developments in neighbouring Liberia and Guinea.

Humanitarian situation: By the end of 2003, most of the remaining refugees who were out of the country had returned to their places of origin in Sierra Leone, partly motivated by the fierce fighting in Liberia during the first half of 2003. This also led to the influx of approx. 55.000 Liberian refugees now staying in 8 refugee camps. The number of Sierra Leonean refugees still living in neighbouring Liberia is estimated at 13.000 (Dec. 2003).

As the largest part of the huge migratory moves of IDPs and returning refugees has come to an end, the focus of the government and international aid agencies is shifting from humanitarian relief and protection to assisting local communities in rebuilding their infrastructure and livelihoods. Specific approaches (“LRRD”, “4Rs”) are being implemented in an attempt to link emergency relief and rehabilitation to long-term development programmes and broader sectoral policies.

Human rights and national reconciliation: Since the end of 2001, the human rights situation in Sierra Leone has dramatically changed for the better, considering that the most serious human rights violations were committed on a large scale during the civil war. In general terms, Sierra Leone now shows a largely improved human rights record, marked by the respect of fundamental freedoms, the absence of political killings and politically motivated detention and torture. However, there are still reports of occasional human rights violations, including two cases of alleged unlawful killings by security forces.<sup>3</sup> Such cases are generally pursued by national authorities and lead to legal charges. Prolonged pre-trial detention and occasional arbitrary arrests continue to exist but seem to be addressed by the government. Freedom of expression and of the media is generally respected in Sierra Leone,<sup>4</sup> and human rights organisations can operate freely. There are no restrictions on political activity, public meetings or access to the internet.

Domestic violence against women and children has remained a problem, as has societal discrimination of women. Law enforcement authorities generally do not intervene in cases of domestic violence, except in cases involving severe injury or death. Female Genital Mutilation (FGM) is widespread and continues to be commonly performed.<sup>5</sup> Sierra Leone remains a country of origin, destination and transit for victims trafficked for purposes of sexual exploitation and labour. It has recently been downgraded in the US

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2) UN Department of Peacekeeping Operations.

3) Source: US Dept. of State. 2003 Country Report on HR Practices – Sierra Leone.

4) The case of “For di people”-editor, Paul Kamara, sentenced to a fine of approx. €20.000 for libel in October 2003 and temporarily detained, raised wide international attention, though.

5) UNICEF and other sources estimate that 80 – 90 % of women and girls have undergone this practice.

Dept. of State ranking for not meeting “minimum standards” for the elimination of child trafficking.<sup>6</sup> However, the Government has cooperated extensively with international organisation and NGOs involved in the protection of refugees and the reintegration of child soldiers.

The Special Court for Sierra Leone (SCSL) was created to bring to justice “those who bear the greatest responsibility” for war crimes and crimes against humanity committed during the civil war. Starting to operate in mid-2002, the Special Court issued the first indictments in March 2003. Hearings started in late 2003 and trials are scheduled to begin in June 2004. Funding of the SCSL remains a problem as pledged funds, stemming from voluntary contributions of the international donor community, are only sufficient until mid-2004. The UN has recently announced its intention to fund the Special Court’s budget to close the existing funding gap.

A Truth and Reconciliation Commission (TRC) was set up to facilitate national reconciliation. The TRC took more than 8.000 statements from victims and perpetrators, organised public hearings and prepared the final report (to be published by April 2004). In turn, an audit report on the TRC that became available pointed to serious problems relating to the management and handling of resources. A National Human Rights Commission is expected to be created to ensure the follow-up of the recommendations of the TRC.

Governance and institutional reform: As the legal basis for the decentralisation policy, the Local Government Act was adopted by Parliament in January 2004, and local government elections are scheduled for 22 May 2004.<sup>7</sup> Implementation of this policy is expected to bring about a major shift in the overall governance structure of the country, resulting in more popular participation in public affairs at district level, improved delivery of social services and increased accountability of elected councillors towards their constituents.

Being party to the Kimberley Process, Sierra Leone has significantly improved its control over the diamond sector, increasing officially declared exports to approx. US\$ 76.0 in 2003, from only US\$ 10.0 in 2000. However, restoring control over the diamond sector will continue to be a major challenge over the coming years, as about 50% of diamond mining remains unlicensed. Within the framework of a “High Level Diamond Steering Committee”, in which the Commission takes part, the Government is in regular dialogue with the international community on the diamond issue. Progress in improving control over the diamond sector is also closely monitored by the UNAMSIL mission as part of the benchmarks linked to its withdrawal plan.

The fight against corruption has seen less progress than expected. The latest report of the Anti-Corruption Commission (ACC), issued in August 2003, showed that very few cases submitted by the ACC to the Attorney General have been brought to court, and that the cooperation of state institutions in the fight against corruption is widely seen as insufficient. The government decided in 2003 to recruit additional expatriate personnel to enhance the capacity of the judiciary and the Attorney General’s office, resulting in a number of cases coming to trial by the end of that year. More immediate results along

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<sup>6)</sup> See US Dept. of State, 2004 Trafficking in Persons report.

<sup>7)</sup> The elections took place as scheduled on 22 May in a peaceful and quiet manner. However, they were marred by a low turnout (around 40%) and some allegations of intimidation of candidates in the run-up to the elections.

with more political will and resolve on the part of the government will be needed to cope with the crucial challenge of corruption and to enhance the credibility of its policies.

Economic developments: With a GDP per capita of US\$ 140, Sierra Leone remains one of the poorest countries in the world. However, the country's recent economic performance was robust in 2003, with an increase of 6.5% in real GDP, after 6.3 % in 2002. These relatively high growth rates have nevertheless to be seen against the background of low or negative GDP growth during the decade of civil war.

The generally encouraging picture of macro-economic performance is overshadowed in the second half of 2003 by a substantial depreciation of the Leone against the US\$, resulting in an end-of-2003 inflation rate of 11.3 % against the projected single-digit inflation. End-of-2003 negotiations with the IMF on the implementation of necessary structural reforms to remain "on track" with regard to the current PRGF proved particularly difficult but were finally concluded on a positive note.

Sierra Leone's economy continues to be highly dependent on donor support.<sup>8</sup> Private investment with the prospect of creating the jobs needed to escape the poverty trap and engaging ex-combatants and other youths, remained insufficient. The main factors seriously limiting a substantial expansion of the private sector are the continued lack of an environment conducive to investment relating to the overall regulatory framework and heavy, corruption-bound administrative procedures. The planned adoption of a new investment code has been further postponed beyond the agreed deadlines and is now expected for the first half of 2004.

Regional integration and trade: As a member of ECOWAS and the Mano River Union, Sierra Leone is committed to more economic integration in West Africa. In mid-2003, the country was on track with three out of four primary convergence criteria of the planned West-African Monetary Zone (WAMZ).<sup>9</sup> With regard to the EPA negotiation process that started at ECOWAS level, its outcome is expected to have an important positive impact on the conditions for trade and investment, thus contributing to its overall economic development.

As regards Sierra Leone's trade relations, the steady increase in trade deficit in previous years came to a halt in 2003, when substantial growth in exports (from US\$ 54m to US\$ 92m) matched – in absolute figures - growth in imports (from US\$ 264m to US\$303m). The main items on the import bill remain fuel, food and machinery. Diamonds still account for approx. 82% of export earnings. The production and export of coffee and cocoa are expected to gradually pick up, and the export of rutile (titanium dioxide) is expected to restart in 2005. In order to assist the Government in the preparations of the EPA negotiations, the Ministry of Commerce is supported through EDF-funded technical assistance starting in early 2004.

Poverty reduction/achievements in the social sectors: Ranking last on the UNDP Human Development Index, Sierra Leone continues to have amongst the worst social indicators in the world. With regard to official data on MDG's and related indicators, available information shows a picture of significant improvements as compared to levels during the conflict. The proportion of the population living on less than 1 \$US/day is reported to

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<sup>8)</sup> It is projected that donors, in grants and loans, will continue by approx. half of total government revenue in 2004 and 2005.

<sup>9)</sup> Sierra Leone complied, by June 2003, with the WAMZ convergence criteria on inflation, central bank deficit lending, and external reserves, missing the one on the fiscal deficit.

have dropped from 85 % in 2002 to 70 % in 2003, thus indicating a very significant positive change.<sup>10</sup>

Data on education show a positive trend in net primary enrolment rates but remain at a low level in absolute terms (59% in 2002). Significant progress in closing the gender gap in secondary education since 2000 (+ 35 %) can be observed. This positive trend, however, is offset by a sharp drop in the female proportion in tertiary education, from 55% in 2001 to 40% in 2003.

Under-five-mortality rate stands at a dramatically high rate of 316 per 1000 live births and the maternal mortality rate at 1.800 per 100.000 live births. Life expectancy at birth is 34,2 years (projection 2000-2005), thus even lower than it was in the first half of the 1970s (35 years). Malaria remains the most common morbidity pattern and outbreaks of hemorrhagic fevers (Yellow fever, Lassa fever) are still frequent. According to the most recent estimates, the HIV/AIDS prevalence rate stood at 3.4% by the end of 2003, but reliable figures and detailed trends and patterns remain scarce.

Overall data availability on access to social services and the quality of delivery is patchy but expected to improve as part of the PRSP process. As regards the composition of public spending for social sectors, the end-September targets for poverty-related expenditure were met while the 2004 budget anticipates a further increase in allocations to the social sectors.

Achievements in cross-cutting issues: The armed conflict ending in 2001 seriously affected the situation of women, resulting in widespread rape and sex-slavery, unwanted pregnancies and psychological trauma. Education and skills training in refugee camps might, however, have brought about a change in attitude with regards to equitable treatment and inclusive decision-making. Female Genital Mutilation (FGM) is not being addressed or discussed publicly, whether by the Government or civil society, including many of the international NGOs.

The civil war and its consequences have negatively affected the country's environment in various ways. Available information points to several problematic issues including poor urban sanitation, the negative environmental impact of mining and uncontrolled logging in the Eastern parts of the country, suggesting the need for a more thorough analysis to be taken into account in future planning exercises.

Migration is an important feature in Sierra Leone's society and economy. Some 500.000 Sierra Leone nationals, or roughly 10 % of its population, are estimated to be abroad. A considerable brain drain to Europe and North America touching all sectors, has taken place over the last decade due to the civil war, resulting in about 30% of highly educated nationals leaving the country. According to the information available, the UK is hosting the highest number of Sierra Leonean nationals in Europe. Estimates indicate that about 100.000 Sierra Leone nationals lived in the UK in 2002, as both illegal migrants and middle class professionals<sup>11</sup>. A population and housing census, initially scheduled for early 2004, will contribute to a clearer picture of the county's demography and migration dynamics.

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<sup>10)</sup> Most recent data, stemming from the local PRSP working group; to be confirmed.

<sup>11</sup> The main issues of joint management of migration flows have been dealt with by the Council in its conclusions of 5 may 2003 (doc n° 8927/03).

Sierra Leone's role in conflict prevention and resolution can be considered as positive since the end of the war, given its commitment to the restoration of peace in the sub-region, the recent improvement of relations with Liberia and its efforts in the areas of national reconciliation and the reintegration of ex-combatants. Achievements in the reform and restructuring of its national security forces are not yet sufficient, as reflected by the UN Security Council decision to maintain a considerable peace keeping force in the country after the end of 2004.

#### **4. STATE OF IMPLEMENTATION OF THE EC COOPERATION**

##### **Results achieved**

Rehabilitation of infrastructure: Progress in the rehabilitation of social infrastructure has been considerable, some of the intervention framework targets being met. The number of functional Primary Health Units rose to 564 in 2003, from 409 in 2002. The number of primary school rose by 7% in the same period, to 3.505. The ongoing Resettlement and Rehabilitation Programme made an important contribution to the rehabilitation effort at district and community level, including health and education infrastructure. EC cooperation thus significantly contributed to Sierra Leone's efforts at post-conflict rehabilitation of social infrastructure, in line with the priorities of its interim Poverty Reduction Strategy.

Regarding the road transport sector, Sierra Leone has made some progress in the implementation of its National Transport Strategy and Investment Plan 2002-2007. As a particular measure, the fuel levy alimending the Road Fund was increased by 67% in 2003, in order to improve funding of road maintenance.<sup>12</sup>

Indicators on road conditions improved significantly, from 44.5 % in good or fair condition in 2002 to 54.3% in 2003, thus exceeding targets. In turn, no decrease of average transport cost was observed. The length of rehabilitated roads in 2003 exceeded targets by 26%, totalling 1.137 km. Much of this performance, however, has to be credited to external funding, as the level of funding of the Road Fund, as one of the key indicators for sustainable road management, reached only 55% of its target in 2003.

Deeper sector reform is needed and will be based on the results of a broad road management study, funded by the World Bank. The study will set out an action plan for the restructuring of the Road Fund, currently managed by the Sierra Leone Transport Authority (SLRA), and for improved management of the national road network. This is expected to be the basis for enhanced donor coordination and more structured and regular sector dialogue with the government.

The 8<sup>th</sup> EDF Roads Infrastructure programme and institutional support contributed significantly to the rehabilitation of the national road network. The contracts for the regional Freetown-Conakry Highway project were awarded in early 2004. However, the cost estimate for the overlaying of this road saw an upward revision in 2003, leading to additional funding needs.

Governance & Institutional Support: In terms of policy, Sierra Leone is committed to institutional reform, decentralisation and the improvement of governance. With regard to implementation of these policies, progress appears to be mixed, however. One major achievement was the preparation, and adoption by Parliament in January 2004, of the

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<sup>12)</sup> This measure was taken not without public discontent and a price increase in public transport.

Local Government Act. Specific performance indicators in the area of governance were only agreed in 2003 and have not yet be fully assessed.<sup>13</sup> However, overall results in the fight against corruption are below expectations and raise increasing concern as to the foreseeable negative impact of persisting corruption on society and the economic recovery process.

Some steps have been taken to reform the public service, aimed at improving public service delivery. A number of sector reviews have revealed shortcomings and avenues of support activities, and a Senior Civil Service Commission has presented recommendations concerning enhanced performance of senior civil servants in relation to improved service conditions. A National Revenue Authority has been created in order to improve public revenue, merging tax, customs and mining revenue collection. Policies to improve the general climate for foreign investment have not been successful yet, as foreign direct investment is still at an almost negligible level (US\$ 5,0m in 2002).

EC support from 8<sup>th</sup> EDF resources aiming at institutional support, including a second phase of support to the Ministry of Finance, a Population and Housing Census and support to the NAO's office, was marked by considerable delays and has not yet had the expected impact. Procedural difficulties, requests for change of programme design by the government and staffing problems in the Delegation are among the factors explaining this situation. Planned programmes under 9<sup>th</sup> EDF funding are at an advanced stage of preparation and will be adopted in 2004.

Macro-economic support: A Public Finance Management (PFM) Task Force was established in early 2003 in support of the implementation of a joint government-donor action plan in the area of public finance management. A new National Revenue Authority has been created and draft legislation for the reform of budgeting, public accounting and procurement is underway. A number of major indicators in the area of macro-economic support and poverty reduction met their targets in 2003 (GDP growth rate, macro-economic programme implementation), whereas others have not been achieved (reduction of under-five mortality rate) or could not be assessed due to a lack of up-dated information (e.g. prevalence of severe malnutrition).

Budget support from EDF resources was delayed, due to the results of an audit in 2001 on preceding programmes, and is still pending the results of an audit of the first tranche of its 8<sup>th</sup> EDF Post-Conflict Budget Support Programme. The government-EC matrix of corrective measures, as agreed further to the results of the 2001 audit, was under implementation and will be evaluated in early 2004. The results of this study, combined with the audit of the post-conflict budget support programme, will allow a detailed assessment to be made of progress achieved in key areas of public finance management. 9<sup>th</sup> EDF budget support will critically depend on these results and on the adoption of a full PRSP in 2004.

Health: Although not a focal sector under the 9<sup>th</sup> EDF, public health remained an area of Commission support through various instruments, including ECHO humanitarian relief,

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<sup>13</sup>) A set of indicators for progress relating to governance was agreed in 2003 (see updated intervention framework annexed to the 2003 Joint Annual Report). However, data on several of these indicators were not available at the time of the review and will only become available in 2004. Regarding the "perceived level of corruption", considered a major indicator for improved governance, Sierra Leone was not yet included in the 2002 Corruption Perception Index published by Transparency International (TI). It ranks 113<sup>th</sup> (17<sup>th</sup> from last) in the 2003 TI index.

rehabilitation of physical infrastructure and a major sector support programme funded from 8<sup>th</sup> EDF resources.

The National Health Policy, revised in 2003, outlines the broad goals in the National Health Policy in their respective areas, emphasising issues such as equity and burden of disease. Despite the overall objective “*to maintain and improve the health of all Sierra Leonean residents within the country in an equitable manner*”, “*particularly the vulnerable as result of poverty, conflicts, gender or specific problems*”, there still appear to be wide discrepancies in the per capita recurrent budget on health across districts.<sup>14</sup> Figures on the distribution of public health personnel indicate that there still is a general scarcity of qualified staff in most rural areas.<sup>15</sup> The apparent lack of consistency between the National Health Policy, the action plan and the technical policies on the one hand, and the National Health Budget and human resources, in terms of both quantity and quality, on the other, highlights the need for continued policy dialogue and coordinated donor support in the sector.

The 8<sup>th</sup> EDF-funded Health Sector Support Programme (HSSP), aiming to strengthen the capacities of the Ministry of Health, formally started with the arrival of the technical assistance team in late 2002, whereas its implementation phase will only start in early 2004, with the expected approval of its first work plan. The programme can therefore only be expected to have a significant impact from 2004 onwards.

Humanitarian relief: From 1999 to 2002, ECHO provided humanitarian aid worth about €44,0m in support of war-affected populations in Sierra Leone. In 2003, ECHO contributed an additional €m to humanitarian aid operations mainly targeting Liberian refugees and Sierra Leonean returnees. The main sectors of intervention were health, nutrition, water, sanitation, shelter and protection. Considering the improving humanitarian situation in Sierra Leone, the ECHO programme is planned to be phased out by the end of 2004.

Linking Relief, Rehabilitation and Development (LRRD): Sierra Leone is among the countries where efficient LRRD is highly relevant and a Commission priority. Given the planned phasing-out of the ECHO programme, a Financing Agreement worth €25,0m for transitional support for former IDPs, returnees, refugees and hosting communities was signed in 2003. The programme focuses on key districts on the borders with Guinea and Liberia, with food/livelihood security and improved water and sanitation as key areas of intervention. The strategy of the programme, expected to start in early 2004, targets adequate cover of cross-cutting issues such as gender, environment and HIV/AIDS. An additional, specific LRRD programme in the health sector was identified in 2003, its aim being to complement the ongoing HSSP and to ensure a smooth transition from ECHO-funded emergency health projects to long-term sector support strategies.

## **Implementation of the country programme**

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<sup>14)</sup> E.g. the public health budget for FY 2004 ranges from US\$0.98 per capita for Moyamba District to US\$3,38 for Western area.

<sup>15)</sup> Ratios of health care delivery worker per inhabitant range from 1/699 in Western area to 1/6255 in Kailahun. The doctor to population ratio is 1/10.025 for Western area and 1/294.000 for Kailahun. Source: Preliminary data from the Sierra Leone Integrated Household Living Conditions Survey (SLIHLCS) – 2004.

By the end of 2003, all funds stemming from previous EDFs were committed,<sup>16</sup> leaving €63,2m to be contracted and €93,6m yet to be disbursed. The 9<sup>th</sup> EDF country strategy and National Indicative Programme (NIP) was signed in July 2003, allocating €144,0m to the country's A-envelope and €76,0m to the B-envelope. An overview of the cumulative state of 6<sup>th</sup> - 9<sup>th</sup> EDF resources is given in the summary table below.

Focal sectors under the 9<sup>th</sup> EDF NIP are the rehabilitation of social and transport infrastructure (49% of the indicative allocation) and institutional support and good governance (13%). Macro-economic support for the implementation of poverty reduction policies accounts for 34% of the indicative allocations, leaving 4% for non-focal sectors.

**Cumulative state of NIP Decisions, Commitments and Disbursements, as of December 2003 (in million €)**

NIP/ EDF	Allocation	Decisions	%	Contracts	%	Disbursements	%
6	63,655	63,655	100	57,981	91,1	57,895	91,0
7	77,145	77,145	100	65,663	85,1	47,928	62,1
8	77,545	77,545	100	31,468	40,6	18,917	24,4
9 (A)	154,706	52,503	33,9	0,071	0,05	0,001	-
9 (B)	72,700 <sup>*)</sup>	50,000	68,8	-	-	-	-
<b>TOTAL</b>	<b>445,751</b>	<b>320,848</b>	<b>72,2</b>	<b>155,183</b>	<b>41,6</b>	<b>124,741</b>	<b>33,4</b>

\*) Originally €76,0m, of which €3,3m was allocated to the African Peace facility.

Awaiting the start-up of 9<sup>th</sup> EDF programmes in 2004, the country programme is marked by the ongoing implementation of the 8<sup>th</sup> EDF NIP, with major programmes in the areas of infrastructure, public health and institutional support. In parallel, the ECHO relief programme continued in 2003 but will be gradually phased out in 2004. Several projects in the area of human rights, funded from the EIDHR budget line, continue to be implemented, including support for the Special Court for Sierra Leone (€0,9m) and the Truth and Reconciliation Commission (€1,0m).

Lessons learnt from previous programme implementation are set out in the CSP and remain valid.<sup>17</sup> In particular, the changing security and political situation in Sierra Leone during the last decade has considerably hampered and/or delayed the implementation of many projects and programmes under the 7<sup>th</sup> and 8<sup>th</sup> EDF. In addition, understaffing of the EC Delegation, weakened national institutions and complex procedures have contributed to delays in implementation of EDF-funded programmes. Nevertheless, some flexibility in the allocation of EDF funds (e.g. contribution of €12,2m to the DDR trust fund, post-conflict budget support) allowed the evolving situation during and after the civil war to be addressed. Other Commission instruments, in particular ECHO humanitarian relief and the EIDHR and food security budget lines, have proven to be essential in the country's post-conflict situation and complementary to EDF funding.

<sup>16)</sup> An amount of €10,7m of uncommitted balances of the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> EDF has been transferred to the A-envelope of the 9<sup>th</sup> EDF allocation, thus increasing it to €154,7m.

<sup>17)</sup> See chapter 4.2, page 18, of the CSP/NIP.

## 5. PROGRAMMING PERSPECTIVES

Adding uncommitted balances transferred from previous EDFs (€10,7m) to the 9<sup>th</sup> EDF allocation, and expected decommitments in 2004 (€ 4,3m), makes for € 159,0m programmable under the A-envelope, of which € 52,5m (or 34%) had already been committed by December 2003. Out of an initial allocation of €76,0m to the B-envelope, €50,0m (or 67%) was committed in 2003, namely to the €25,0m LRRD programme and €25,0m in support of the re-launch of the rutile (titanium dioxide) mining sector.<sup>18</sup>

With respect to the new policy initiatives, many are well covered by the ongoing programme or by other donors, while in a number of cases other, i.e. non-NIP or non-EDF, instruments are seen as more relevant. This applies to the following areas:

- *Water and energy* are both covered in the ongoing programme of cooperation, comprising rural water supply on the community level and emergency support for the rehabilitation of power supply systems. The request of the government to support the completion of the Bumbuna Hydro Electric Plant was examined in depth by the EIB, but will not, in the final analysis, be co-funded from its resources.
- The issue of *migration* shall be further examined with the authorities upon completion of the population and housing census. The EDF programme may provide funding for additional studies if required. The regional issue of child trafficking appears to go beyond the scope of the Sierra Leone country programme and existing implementation capacities.
- Sierra Leone has indicated an interest in participating in the *Extractive Industries Transparency Initiative* (EITI), in addition to its involvement in the Kimberley process and its efforts to strengthen control over the diamond sector. Other development partners, notably DFID and UNDP, are already engaged in these areas and appear to have comparative advantages. The Commission, however, will stay involved in local donor coordination and policy dialogue with the government in support of the efforts of the donor community in these areas.
- Support for the *education* sector is primarily given by the World Bank and the African Development Bank. Commission support is envisaged via its scheduled budget support, as soon as the PRSP and the related poverty-oriented sector policy have been adopted. Education-related indicators will be integrated into the budget support financing arrangements.
- The civil war has left behind thousands of civil victims with *disabilities* (mainly due to limb amputations) and mental traumas. This particular area, already addressed by competent international agencies and NGOs, should continue to be supported by Commission budget lines.

In the light of the analysis of the current country situation and recent developments, the following issues and/or initiatives should be included or enhanced during the remaining implementation period of the 2003-2007 NIP:

- In the area of *fisheries*, EDF support can be provided to fund a fish resource assessment study and an assessment of inspection and surveillance capacities of Sierra Leone, including capacity building issues in this sector. A functioning mechanism of inspection and surveillance of fishing activities and an assessment

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<sup>18</sup>) The amount of €25,0m has been transferred to the 9<sup>th</sup> EDF from 8<sup>th</sup> EDF SYSMIN balances.

study of the impact of fishing activities on the relevant fish stocks have been considered as a necessary prerequisite for any resumption of negotiations on a fisheries agreement.

- The area of *trade development* and EPA negotiations should be considered for future support under the non-focal sector allocation, the Technical Cooperation Facility and/or as part of support for anti-corruption policies. Technical assistance will be provided to the Ministry of Trade, from March 2004 onwards, in order to support Sierra Leone in the EPA negotiation process. The need for further support has not been identified at the present stage, but during the remaining period of the 9th EDF, further efforts are required with a view to implementing Sierra Leone's commitments towards the regional integration process at ECOWAS level. Support in these areas under the NIP 9th EDF should be coherent with and complementary to assistance under the Regional Indicative Programme.
- The issues of *environment* and natural resource management, in particular illegal logging, should be addressed by a comprehensive assessment of Sierra Leone's environmental sector, which still has to be conducted in the form of a Country Environmental Profile (CEP). Funding of such a study could be provided under the Technical Cooperation Facility (TCF), in close coordination with other interested donors.
- The issue of high *unemployment of youth*, including ex-combatants, remains a major problem and has explicitly been raised by civil society representatives in the course of the local MTR consultation process. Specific activities such as the urgent rehabilitation of urban sanitation infrastructure by labour-intensive programmes, to be funded under focal sector 1 (Rehabilitation of Infrastructure), are therefore considered as a suitable approach to address this issue.<sup>19</sup>
- As the persisting problem of *corruption* raises increasing concern, additional funds, under focal sector 2 (Good Governance and Institutional Support), should be allocated to support the implementation of the national anti-corruption strategy that is currently under preparation.
- Given the still fragile state of the Sierra Leone society and uncertainty about future regional developments, support for the areas of *conflict prevention, national reconciliation and human rights* should be further enhanced. In addition to the ongoing political dialogue and EIDHR budget line funding, additional EDF funding could comprise support for the Special Court (if necessary) and/or for the Sierra Leone Human Rights Commission.

The Delegation and the NAO have made considerable efforts to ensure the participation of non-state-actors (NSAs) in the MTR review process, in spite of procedural impediments (TCF not yet approved). In addition to a mapping exercise carried out in 2003 and regular interaction with NSAs as part of the implementation of the country programme, a consultative workshop with selected NSAs was organised in February 2004, and provided useful feedback and suggestions.<sup>20</sup>

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<sup>19</sup>) The problem of unemployed youths will also be addressed by a programme under preparation by GTZ (German technical cooperation).

<sup>20</sup>) The results of the workshop are documented by the minutes of the workshop produced by the Delegation.

Further to its signature in July 2003, and taking into account the proposed adjustments, the 2003-2007 Country Strategy remains fully relevant. Whereas the rehabilitation of priority infrastructure and governance/institutional support will continue to address priorities on Sierra Leone's reconstruction and development agenda, budget support under the 9<sup>th</sup> EDF will be linked to the implementation of the Poverty Reduction Strategy soon to be adopted. It will thus strengthen the Commission's focus on the improvement of social service delivery, especially in rural areas, an objective that is considered key for human development, poverty reduction and the reduction of regional disparities.

The 2004-2007 programming pipeline has been updated in the framework of the 2003 joint annual report and revised in the course of the ACP seminar in Dakar. The additional activities identified under the Mid-Term Review, and outlined above, will add to the existing 9<sup>th</sup> EDF indicative programme. They have nevertheless to be seen in the context of a considerable improvement in implementation capacity through the devolution process and the upcoming support for the NAO's office. Implementation of the revised country programme therefore appears to be feasible. It has to be underlined, however, that implementation of the full country programme and the proposed broadening of its scope would only be realistic if the Delegation were fully staffed, including its administration section.<sup>21</sup>

## 6. PERFORMANCE APPRAISAL

### *Criterion I: Country's financial performance*

#### EDF

6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> EDF funds are fully committed as remaining balances (€10,7m) and have been transferred to the 9<sup>th</sup> EDF allocation. Primary commitments showed a steep increase in 2003, as funding decisions worth €112,7m were made by the end of that year. Assignments in 2003 were made for a total value of €24,2m, as most of the tendering for 9<sup>th</sup> EDF projects remains to be done. With only €10,8m, after €13,1m in 2002, annual disbursements met only 30% of the forecasted level in 2003. The five-year average of disbursements of €12,5m/year is a historical low in terms of programme implementation speed.

- Calculated number of years to complete EDF commitments:<sup>22</sup> 3,3 yrs
- Calculated number of years to complete EDF assignments:<sup>23</sup> 12,5 yrs
- Calculated number of years to complete EDF payments:<sup>24</sup> 18,8 yrs
- Level of utilisation of the 9<sup>th</sup> EDF A-envelope (31 Dec. 2003): 33,9 %
- Level of utilisation of the 9<sup>th</sup> EDF B-envelope (31 Dec. 2003): 68,8 %
- Forecast for commitments and disbursements 2004-2006 (9<sup>th</sup> EDF only):

Level/Year	(2003)	2004	2005	2006	Total
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<sup>21)</sup> There has been no head of the administration section for almost 2 years.

<sup>22)</sup> (Total EDF allocations - current commitments)/average of commitments for the last 5 years. As of December 2003. In 2002, the indicator stood at 6,8 years.

<sup>23)</sup> (Total EDF allocations - current assigned funds)/average of assigned funds for the last 5 years. As of December 2003. In 2002, the indicator stood at 17,3 years.

<sup>24)</sup> (Total EDF allocations incl. 9<sup>th</sup> EDF - current payments)/average of payments for the last 5 years. As of December 2003. In 2002, the indicator stood at 22,9 years.

Commitments:	52	26	91	-	169
Disbursements:	-	27	38	42	107

On the basis of commitments, financial performance can be considered sufficient, whereas the rating is insufficient for assignments and payments.

#### Stabex and SYSMIN

Stabex balances of € 5,15m remained undisbursed by the end of 2003 and will be allocated to an agricultural development project. €25,0m of 8<sup>th</sup> EDF SYSMIN balances, transferred to the B-envelope of the 9<sup>th</sup> EDF, has been committed to the re-launch of rutile mining by a financing decision taken in November 2003. Implementation of this project will start in 2004.

#### Budget Lines

Implementation of budget line support, in particular ECHO and the European Initiative for Democracy and Human Rights (EIDHR) accounted for a current volume of €42,5m. 96% of these funds were assigned by the end of 2003, the disbursement rate standing at 54%.

### ***Criterion II: Country's sector performance***

The results achieved in focal sectors (8<sup>th</sup> and 9<sup>th</sup> EDF) and macroeconomic support can be summarised as follows:

- Rehabilitation of infrastructure: Sufficient. The ongoing Rehabilitation and Resettlement Programme continued its activities in the areas of rehabilitation of social infrastructure and rural water supply. However, mobilisation of the € 10,0m funding tranche from the 9<sup>th</sup> EDF was delayed due to procedural problems. Institutional support for the SL Road Authority and rehabilitation works on trunk roads are ongoing, although lagging behind initial schedules. Tendering for the Freetown-Conakry Highway was completed in 2003, allowing work to be started in early 2004.
- Institutional Support & Good Governance: Insufficient. EC support is marked by delays regarding the implementation of remaining 8<sup>th</sup> EDF-funded projects. Several 9<sup>th</sup> EDF measures are currently under preparation and will lead to financing decisions in 2004 (technical cooperation facility, support for local elections, local government capacity building).
- Macro-economic support: Sufficient. Post-Conflict Budget Support Budget support has been interrupted after its first instalment in 2001, further to the negative results of an audit of previous EC budget support. A matrix of corrective measures is under implementation and will be evaluated in early 2004, allowing budget support to be resumed in the case of satisfactory results (€18,2m yet to be disbursed).
- Non-focal sectors/Health: 8<sup>th</sup> EDF funding in the health sector, through the Health Sector Support Project (€28,0m), has started slowly and has shown little tangible results since the arrival of the technical assistance team in late 2002 (only 6,3% of funds disbursed by December 2003).
- Non-state actors continued to benefit from EDF resources in various manners, particularly via the community-oriented Resettlement and Rehabilitation Programme, ECHO-funded relief programmes and Commission budget lines. A major programme

in support of non-state actors at District level (“accountability mechanisms”) is under preparation for 9<sup>th</sup> EDF funding.

With respect to sector policy commitments, progress can be summarised as follows:

- Infrastructure: Sufficient (under given post-conflict circumstances). Regarding road infrastructure, the road condition mix as the main indicator appears to have significantly improved in 2003. Increasing the fuel levy by 67% in 2003 was a necessary but not sufficient step to secure funding for road maintenance.
- Good Governance and Institutional Support: Insufficient. In particular, progress in the fight against corruption was slow and is increasingly criticised by civil society and the international community.
- Macro-economic support: (Still) sufficient. The country’s macro-economic growth remained robust in 2002 and 2003, although from extremely low levels. In turn, the latest increases in domestic borrowing and in inflation may put economic stability at risk and raise concern.

Against the assessment above, sectoral and policy commitment performance can be qualified as sufficient.

### ***Criterion III: Special considerations***

Three general considerations have to be taken into account as important factors for the Sierra Leone Mid-Term Review, namely:

- (i) The country’s extremely low state of human development and its particular post-conflict situation, marked by a still depleted infrastructure, extremely weak institutions and a still fragile macro-economic context.
- (ii) An overall satisfactory record with regard to the essential elements of the Cotonou Agreement, namely the rule of democratic principles, respect for human rights and fundamental freedoms.
- (iii) An ongoing, delicate process of national reconciliation and a still fragile security situation in the sub-region as a whole.

Taking into account the above-mentioned factors and the improving prospects for EDF programme implementation, Sierra Leone should receive the Commission’s continued support in its recovery and development efforts, accompanied by close donor coordination and reinforced political dialogue on the country’s policy commitments.

## **7. POSITION ON A REVISION OF THE FINANCIAL ALLOCATION**

Considering the overall sufficient performance of the country, its post-conflict situation and the improved implementation prospects for 2004-2007, the following position with regard to the adjustment of the 2002-2007 CSP/NIP is supported:

- There is no need or justification for a change in the country strategy or focal sectors (rehabilitation of priority infrastructure, good governance and institutional support, budget support).
- Additional EC policies and initiatives should be included in the country programme in the areas of trade, fisheries, environment and migration. These initiatives could be covered by uncommitted funds under the existing non-focal sector allocation (up to € 4,0m) and by the Technical Cooperation Facility.

- A transfer of parts of the remaining balances from the B-envelope (€10,0m) to the A-envelope is recommended, designed:
  - to reinforce focal sector 1 (rehabilitation of priority infrastructure) to take account of the revised cost estimates for the overlaying of the Freetown-Conakry Highway and to include a programme for labour-intensive rehabilitation of urban infrastructure;
  - to reinforce focal sector 2 (good governance and institutional support) to allow funding of additional activities relating to the promotion of human rights and the fight against corruption.

In the light of the preceding analysis and taking into account the special considerations, it is proposed to:

- Increase the funds available under the envelope A by €10,0 million, mainly in the focal sectors;
- Decrease the funds available under the envelope B by €10,0 million within the limits of the available resources.

This proposal represents a transfer of €10,0 million from envelope B to envelope A.

The amendments proposed do not implicate the allocation of additional funds to the Sierra Leone CSP/NIP.

The proposed revision of the indicative financial allocations of both envelopes is specified in the annexed summary table.

## Annex 1

### MTR Sierra Leone

#### Summary of proposed reallocations of funds

##### A. Updated sources of funding of the A-envelope (millions €)

Initial allocation (CSP/NIP)	144,0
Transferred funds from preceding EDFs (Dec. 2003)	10,7
Expected decommitments in 2004	4,3
Transfer from B-envelope	10,0
<b>Total allocated funds</b>	<b>169,0</b>

##### B. Revised allocation of funds of the A-envelope (millions €)

Sector	Initial	Change	New
Rehab. of Prior. Infrastructure	70,0	16,0	86,0
Good Gov. & Instit. Support	19,0	9,0	28,0
Macroeconomic support	50,0	-	50,0
Non-focal	5,0	-	5,0
<b>Total</b>	<b>144,0</b>	<b>25,0</b>	<b>169,0</b>

##### C. Revision of the B-envelope (millions €)

Initial allocation	76,0
Committed to the African Peace Initiative	-3,3
Committed to Rutile Mining Programme	-25,0
Committed to LRRD programme	-25,0
Transfer to A-envelope	-10,0
<b>Remaining balance<sup>25</sup></b>	<b>12,7</b>

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<sup>25</sup>) Of which €3,6m is directly accessible by ECHO.