AFRICAN DEVELOPMENT BANK GROUP

REPUBLIC OF SIERRA LEONE

BANK GROUP COUNTRY STRATEGY PAPER 2025-2030

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WEST AFRICAN REGION
September 2025

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Acronyms and Abbreviations

ADF	African Development Fund
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
BSL	Bank of Sierra Leone
CLSG	Cote d' Ivoire –Liberia - Sierra Leone – Guinea
CFRA	Country Fiduciary Risk Assessment
COSL	Country Office Sierra Leone
CPIA	Country Policy and Institutional Assessment
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CRFA	Country Resilience and Fragility Assessment
CSP	Country Strategy Paper
CSO	Civil Society Organization
DACO	Development Assistance Coordination Office
DEPAC	Development Partnership Committee
DSA	Debt Sustainability Analysis
ECOWAS	Economic Community of West African States
EU	European Union
FCDO	Foreign, Commonwealth and Development Office
GDP	Gross Domestic Product
GoSL	Government of Sierra Leone
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPR	Implementation Progress and Results
MDA	Ministries, Departments and Agencies
MRU	Mano River Union
MOGCA	Ministry of Gender and Children's Affairs
MOSW	Ministry of Social Welfare
MTDS	Medium Term Debt Strategy
MTNDP	Medium Term National Development Plan
MVA	Manufacturing Value Added
NPLs	Non-Performing Loans
NSO	Non-Sovereign Operation
PFM	Public Financial Management
PPP	Public Private Partnerships
RAIC	Rice Agro-Industrial Cluster
SDG	Sustainable Development Goals
TSA	Treasury Single Account
UA	Units of Accounts
UN	United Nations
USD	United States Dollars
WASH	Water, Sanitation and Hygiene
WB	World Bank

Currency Equivalents and Fiscal Year

CURRENCY EQUIVALENTS

June 2025

Currency Unit		**Leones (SLL)**
1 UA	=	30.70 SLL
1UA	=	1.20 Euro
1UA	=	1.36 USD
1USD	=	22.63 SLL

GOVERNMENT FISCAL YEAR

January 1 - December 31

Map of Sierra Leone

Disclaimer: The above map is offered exclusively for the convenience of reading the report to which it is attached. The dimensions used and the boundaries shown on the map do not imply on the part of the Bank Group any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.

Summary of the AfDB's Group Country Strategy for Sierra Leone (2025-2030)

<table>
<tr><td colspan="3">VISION
To achieve a sustainable and inclusive middle-income economy for the Republic of Sierra Leone</td></tr>
<tr><td colspan="3">OBJECTIVE
Strengthening resilience of the economy to tackle key drivers of fragility and accelerate socio-economic development</td></tr>
<tr><td>PRIORITY AREAS</td><td>▪ Area I: Sustainable infrastructure for private sector development</td><td>▪ Area II: Agriculture value chain development for job creation and food security</td></tr>
<tr><td rowspan="2">DEVELOPMENT CHALLENGE ADDRESSED</td><td colspan="2">To address key drivers of fragility and achieve economic diversification, structural transformation and sustainable inclusive growth</td></tr>
<tr><td>▪ Severe infrastructure deficit constraining private sector development.</td><td>▪ Weak private sector, heavily dependent on economic activities in natural resources with low value addition and not generating enough jobs</td></tr>
<tr><td>PRINCIPAL INTERVENTION AREAS</td><td>▪ Transport
▪ Energy
▪ Water & Sanitation</td><td>▪ Agriculture value chain development</td></tr>
<tr><td>MAJOR ACTIVITIES</td><td>▪ Expansion of electricity generation, transmission, and distribution, focusing on renewable energy
▪ Expansion of sustainable and resilient national road network
▪ Construction and rehabilitation of water and sanitation infrastructure to improve access to safe drinking water</td><td>▪ Supporting agriculture value chain development with specific focus on the SMEs to foster structural transformation, reduced food imports, ensure food security, and create jobs.</td></tr>
<tr><td>CROSS CUTTING ISSUES</td><td colspan="2">▪ Environment and climate Change; building resilience to shocks and fragility; gender; investing in youth; and strengthening governance.</td></tr>
<tr><td>MAIN INSTRUMENTS</td><td>▪ Project grants
▪ Technical assistance & capacity building
▪ Economic and sector work
▪ Policy dialogue and advisory services
▪ Donor coordination</td><td>▪ Project grants
▪ Institutional Support Projects (ISPs)
▪ Technical assistance & capacity building
▪ Economic and sector work
▪ Policy dialogue and advisory services
▪ Donor coordination</td></tr>
<tr><td>EXPECTED OUTCOMES</td><td>▪ Increased access to basic infrastructure</td><td>▪ Improved food security and job creation</td></tr>
<tr><td>GUIDING PRINCIPLES</td><td colspan="2">▪ Sierra Leone sets the development agenda and targets (Ownership)
▪ The AfDB will be selective in its support, focusing on its comparative advantage (Selectivity)
▪ The AfDB aligns behind Sierra Leone's objectives and uses local systems wherever possible (Alignment)
▪ The AfDB coordinates, simplifies procedures and shares information with other DPs to avoid duplication (Harmonization)
▪ In its interventions, the AfDB will ensure that it brings additionality and does not crowd-out potential commercial investors (Additionality)
▪ The AfDB works with national authorities to focus on measurable development results (Results-Focus)
▪ All support preserves alignment with Bank's corporate strategies and government's medium term development plan (Strategic alignment)</td></tr>
</table>

EXECUTIVE SUMMARY

1. **This report presents the Bank Group's Country Strategy Paper (CSP) for Sierra Leone 2025-2030.** The CSP is aligned with Sierra Leone's Development Vision 2039 and the country's Medium Term National Development Plan (MTNDP 2024-2030). The CSP is also aligned with the African Development Bank corporate strategies including the Ten-Year Strategy 2024-2033 and its Five Operational Priorities – the High 5s, the AfDB Strategy for Addressing Fragility and Building Resilience in Africa 2022-2026, and other thematic and sector strategies.

2. **Sierra Leone's political environment remains relatively stable**. The latest general elections were held on 24th June 2023 following which the incumbent President Julius Maada Bio of the Sierra Leone People's Party (SLPP) won a second term in office. The 2023 elections were fiercely contested, engendering protests but stability was restored following the implementation of the Agreement for National Unity between the government and the opposition signed in October 2023.

3. **Sierra Leone's economy continues to perform strongly after recovering from COVID-19 induced recession.** Real GDP growth has averaged 3.9% over the past five years, weighed down by a 1.3% contraction in 2020 because of COVID-19 pandemic, and inflationary pressures in 2024. Growth has been driven by services and strong performance in mining sector. Outlook is positive, with growth projected to improve to 4.6% in the medium term driven by the mining sector. Inflation eased in 2024 to 30.3% from 47.0% in 2023, helped by exchange rate stability, declining food and energy prices, and monetary tightening. Poverty declined from 62.4% in 2011 to 56.8% in 2018, and youth unemployment remains high.

4. **Fiscal consolidation measures have helped in containing deficits, but the debt vulnerabilities persist.** With efforts to improve revenue coupled with expenditure management, fiscal deficit has averaged around 3.5% of GDP over the past 5 years. However, with expenditures averaging 16% of GDP while domestic revenue effort remains stagnant at around 8% of GDP, fiscal space is seriously limited. Although Sierra Leone's public debt is sustainable, the country's risk of debt distress remains high because of unfavourable ratios of debt service to revenue and external debt service to exports.

5. **The AfDB's portfolio in Sierra Leone is mainly concentrated in infrastructure, and its performance is satisfactory with no flagged operations.** The AfDB's active portfolio in Sierra Leone as of June 2025, is comprised of 12 public sector operations with a total commitment of UA 134 million (USD 181.8 million). The transport sector accounts for the largest share of the portfolio (41%), followed by Agriculture (22%), multisector (21%) Energy (9%), and Water and Sanitation (7%). Portfolio performance is rated satisfactory, with no flagged operations.

6. **Sierra Leone's overarching development challenge is the persistent fragility holding back economic diversification, structural transformation and inclusive growth.** The CSP is informed by the analysis in the 2024 Sierra Leone Country Diagnostic Note (CDN), the fully-fledged Country Resilience and Fragility Assessment (CRFA) for Sierra Leone, lessons learnt during the implementation of the CSP 2020-2024, the findings of the Independent Evaluation Department – IDEV's evaluation of Bank Group Strategy and Program in Sierra Leone for the period 2013-2023, the guidance provided by the Committee on Operations and Development Effectiveness (CODE) when considering the CSP 2020-2024 Completion Report in April 2025, and consultations with different stakeholders including the Government, development partners, private sector, and civil society. Both the CDN and CRFA notes that, Sierra Leone's underlying development challenges, which are the main structural drivers of fragility, are severe infrastructure deficit, low human capital development, a private sector

straddled by informality and limited value addition, weak governance and institutional capacity, macroeconomic imbalance and vulnerability to climate change.

7. **The objective of the AfDB's CSP 2025-2030 is to support Sierra Leone in building economic resilience to tackle fragility drivers and accelerate socioeconomic development**. The Strategy is anchored on two priority areas: (1) *Developing sustainable infrastructure for private sector development*; and (2) *Supporting agriculture value chain development for job creation and food security*. Bank support will focus on three sectors: energy, transport and water and sanitation under Priority Area 1; and one sector under Priority Area 2, which is agriculture. The Bank will take a different approach in its interventions to crowd in private sector investments including by focusing on agro-allied private sector SMEs with the potential for larger impact on job creation and inclusive growth. The country is currently not eligible for TSF Pillar I upfront allocation but will continue to benefit from ADF, including through TSF Pillar I prevention envelope and Pillar III resources.

9. ***Further to the endorsement by the Committee on Operations and Development Effectiveness (CODE) on July 2, 2025, the Boards of Directors are invited to consider and approve Bank Group's CSP 2025-2030 for Sierra Leone.***

1 INTRODUCTION

1. **This report presents the Bank Group's Country Strategy Paper (CSP) 2025-2030 for Sierra Leone.** The overall objective of the CSP is to support Sierra Leone in building economic resilience to tackle fragility drivers and accelerate socioeconomic development. To achieve this objective, the CSP is articulated around two Priority Areas for Bank Support: (i) Developing sustainable infrastructure for private sector development; and (ii) Supporting agriculture value chain development for job creation and food security. These priority areas are anchored on the gains achieved from past Bank interventions, while continuing to support Sierra Leone's Vision 2039 to achieve a sustainable and inclusive middle-income economy.

2. **The CSP is underpinned by rigorous analysis in the Sierra Leone Country Diagnostic Note (CDN) and the fully fledged Country Resilience and Fragility Assessment (CRFA) for Sierra Leone.** The CDN identified the most important challenges and opportunities Sierra Leone faces in advancing towards its vision of developing a resilient, inclusive and sustainable economy. The main challenges identified by the CDN include (i) severe infrastructure deficit, (ii) low level of human capital development (iii) weak private sector, (iv) heavy reliance on natural resources with low value addition and limited job creation (v) weak governance and institutional capacity, (vi) macroeconomic imbalance and (vii) vulnerability to climate change. Collectively, these factors constitute the key drivers of fragility holding back Sierra Leone's ambitions of building a resilient and inclusive economy, as confirmed by the Bank's 2024 fully fledged Country Resilience and Fragility Assessment (CRFA) for Sierra Leone. The 2024 CRFA details the interactions of these drivers of fragility and their role in exacerbating poverty and inequality, hence providing valuable lessons for strategic choices in supporting resilience building.

3. **In addition to the Bank Group's diagnostics, the CSP has been informed by consultations with various stakeholders**. These include the government; private sector; civil society; and development partners. The CSP has also benefited from recommendations from assessment of the AfDB's operations in Sierra Leone by the Independent Evaluation Department (IDEV), as well as lessons learned from the implementation of the CSP 2020-2024, including guidance by the Bank Group's Boards of Directors' Committee on Operations and Development Effectiveness (CODE).[1]

4. **The rest of the report is organized as follows**: Chapter 2 reviews the country context and prospects. Chapter 3 summarizes the key findings of the country portfolio performance review. Chapter 4 documents the lessons learnt from the implementation of the previous CSP while Chapter 5 presents the proposed direction of the new Bank Group CSP for Sierra Leone for the period 2025-30 and Chapter 6 concludes.

2 COUNTRY CONTEXT AND PROSPECTS

5. This chapter highlights the main issues in the country's context and prospects. Detailed analysis is contained in the Country Diagnostic Note (CDN), which can be accessed via the following: **CDN Sierra Leone.**

2.1 Political Context and Prospects

6. **Sierra Leone's political context is characterized by a pluralistic democratic system of governance.** The country holds presidential, parliamentary, and local elections every five years. The latest elections were held on 24 June 2023 following which the incumbent President Julius Maada Bio of the Sierra Leone People's Party (SLPP) won a second term in office, and

[1] CODE considered the Completion Report of the CSP 2020-2024 (combined with the 2024 Country Portfolio Performance Review (CPPR)) on 9 April 2025. The Committee endorsed and gave guidance on the proposed priority areas for the new CSP (2025-2030). (See Annex A.4 for a summary of interaction with the Board/CODE guidance).

his party won a majority of parliamentary seats. According to the Institute for Economics and Peace, the country is ranked 66th (out of 163 countries) in the 2024 Global Peace Index, with a score of 1.993 which is better than the regional average score of 2.388 for Sub-Saharan Africa[2]. Sierra Leone's political resilience is anchored on post-conflict healing and reforms, toleration and government's policy responses to multiple socioeconomic pressures.

7. **Sierra Leone has made progress in several key governance indicators in recent years.** Sierra Leone is among the 10 most improved countries in the Mo Ibrahim Index for African Governance over the past decade after moving up from 32nd position with a score of 46.6 in 2014 to 23rd position in 2023 with a score of 53 which is higher than 49.3 average score for Africa. Sierra Leone showed improvements in Security and Rule of law category in Mo Ibrahim Index from a score of 49.4 when it ranked 29th in 2014 to a score of 56.1 up to 17th position out of 54 countries in 2023. On the Corruption Perception Index by Transparency International, Sierra Leone's score increased from 33 out of 100 (ranking 117th) in 2020 to 35 in 2023 (ranking 108th out of 180) explained by the government's efforts in fighting corruption supported by legal and institutional reforms. However, the score still shows that corruption remains a key challenge that needs to be addressed. The AfDB's Country Policy and Institutional Assessment (CPIA) governance score has hovered around 3.4 since 2020 with minimal improvement in transparency, accountability and corruption in the public sector. Sierra Leone was removed from accessing Transition Support Facility (TSF) Pillar 1 resources due to average overall CPIA score being above 3.0, absence of active conflict and increased resilience partly attributed to the AfDB interventions in addressing structural challenges and infrastructural deficits.

8. **Sierra Leone has made progress in building resilience, but political polarization and rising cost of living exacerbate fragility.** Sierra Leone has made progress in preserving peace and stability through peaceful elections since the cessation of hostilities more than two decades ago. However, fragility has been heightened by the rising cost of living impacted by food insecurity and poor living conditions in a politically polarized environment. The 2023 elections were fiercely contested, engendering protests but stability was restored following the implementation of the Agreement for National Unity between the government and the opposition signed in October 2023. Economic challenges caused by stagnation, unemployment, and low productivity, along with social challenges such as poverty and inequality, have aggravated the sense of frustration among the population, further exacerbating fragility. Rapid rural-urban migration by the youth, weak governance, environmental challenges and climate change have continued to impede the country's capacity to build resilience.

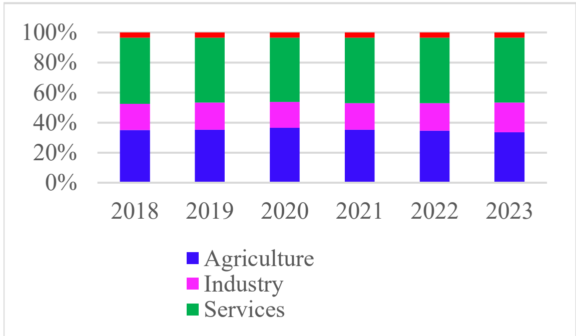
2.2 Economic Context and Prospects

9. Sierra Leone is a low-income country, with small, open yet undiversified economy, and structural transformation is slow. Sierra Leone's GDP per capita is estimated at USD 754 in 2023, placing it in the low-income category. Although the structure of the economy has evolved in recent years, with labor moving from agriculture sector to other sectors of the economy, the pace of structural transformation has been slow. Labour has moved mainly from informal subsistence agriculture with higher level of productivity to informal services sector in urban areas with lower level of productivity. Additionally, the economy remains heavily dependent on natural resources with low value addition and insufficient diversification. Sierra Leone's manufacturing value added (MVA) in GDP which was 2% in 2021 – the lowest in West Africa and far below the sub-Saharan Africa average of 11%. The pace of Sierra Leone's structural transformation is held back by weak private sector and heavy reliance on natural resources with low value addition. Sierra Leone's potential for scaling up structural transformation is in agro-industry and value addition to the country's natural resources.

[2] The GPI score ranges from 1 to 5, with 1 being the most peaceful and 5 being the least peaceful

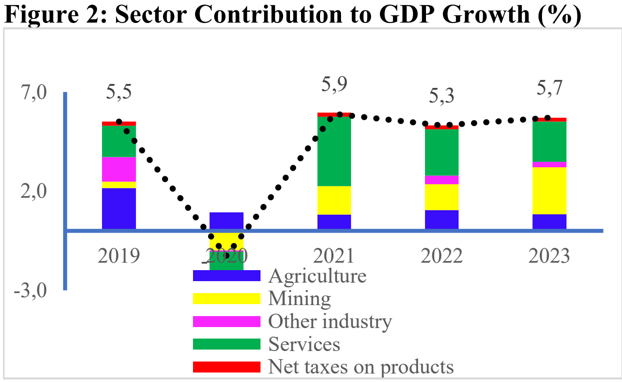
Despite the country's natural resource endowment, renewable energy potential, and tropical climate with huge agriculture potential, transformation is held back by the structural weaknesses including infrastructure deficits, weak governance systems, skills gap and weak institutional capacity in public sector. To unlock the country's transformation potential, there is need to strengthen institutional capacity to address the governance challenges, and to address infrastructure deficit to reduce the cost of doing business for private sector.

Figure 1: GDP Sector Shares (2018 Prices)



10 Sierra Leone's GDP increased by more than half following the rebasing in 2024. The government of Sierra Leone revised the National Accounts in 2024 to 2018 base year and updated the GDP measurement methodology to the 2008 System of National Accounts. Following the rebasing, the size of the economy increased by 56.4% and structure changed with services becoming dominant ahead of agriculture (figure 1). These changes are due to broader coverage of economic activities, including new mining, entertainment, research and development, patents, copyrights, financial intermediation services, and informal activities. Figure 1 presents the GDP sector shares.

Figure 2: Sector Contribution to GDP Growth (%)



11. Sierra Leone's economy has recovered from COVID-19 induced recession, recording strong growth over the past four years. The economy grew at an average annual rate of 3.9% over the period 2020-2024 weighed down by the COVID-19 pandemic, which induced disruptions in key sectors of the economy. Growth of per capita GDP averaged only 1.6% during 2020-23 period, thus less than half of GDP growth a clear indication that Sierra Leone's economic growth has not been sufficiently inclusive, partly due to structural weaknesses (infrastructure deficit etc) that constrain private sector growth, particularly agro-industry as a key source of inclusive growth. The economy contracted by 1.3% in 2020 but recovered to 5.9% in 2021 mainly driven by services and mining sector. Growth remained resilient at 5.3% in 2022 and 5.7% in 2023 despite the impacts of multiple external shocks which triggered rapid increases in commodity prices. Lingering inflationary pressures, estimated at 47.0% in 2023, dampened GDP growth to 3.9% in 2024, driven by mining, agriculture and services and private consumption.

12. The medium-term economic outlook remains positive despite significant downside risks due to multiple external shocks. Economic growth is projected to improve to 4.4% in 2025 and 4.8% in 2026 driven by services, and expansion in mining and agriculture on the supply side, and consumption and investments on the demand side. In addition, less contractionary medium-term fiscal policy and lower inflation should bolster consumption, while foreign investment in the mining sector is set to support growth. The government has identified agriculture and food security as the top priority in the MTNDP 2024-2030 and an increase in investment is anticipated in the sector which will lead to higher output. However, the growth outlook is subject to significant downside risks related to prolonged multiple shocks, tight global financial conditions, climate change vulnerabilities and high inflation.

13. Authorities have pursued tight monetary policy since end of 2021 to combat rising inflation. The Bank of Sierra Leone (BSL) increased the policy interest rate from 14.25% in March 2022 to 24.25% in September 2024 to contain inflation which had soared to 54.6% in October 2023, and annual average of 47.0% in 2023 from 27.0% in 2022 driven by higher food and fuel prices, spillovers from multiple external shocks, removal of fuel subsidy, slippages in monetary policy, depreciation of the Leone and supply side constraints. This policy action helped to reduce inflation to 30.3% in 2024. The increase in the policy rate resulted in higher market interest rates, leading to a slowdown in credit growth to the private sector from 25% year-on-year in 2023 to 21% in 2024. Both the policy rates and market rates are expected to reduce in the near-term following the decline in inflation. Exchange rate depreciation, partly attributed to redenomination of the Leone in July 2022 exacerbated inflationary pressures. Exchange rates stabilized around SLL 22.6 per US$ in 2024 following a moderate depreciation of only 5% in 2024 compared to 50.4% in 2023.

14. The fiscal deficit was moderate at 4.5% of GDP during the past four years but remains above the ECOWAS macroeconomic convergence target of 3%. The key objective of fiscal policy in Sierra Leone is to pursue sustainable fiscal consolidation through higher domestic revenue collection and prudent expenditure management. Expenditures have averaged 16% of GDP over the past four years while domestic revenues have remained low at around 8% of GDP. The fiscal deficit widened from 4.4% of GDP in 2021 to 5.9% of GDP in 2022 before narrowing to 5.2% in 2023 and further to 3.2% of GDP in 2024 due to expenditure management, involving reduction of extrabudgetary spending, and was financed by external and domestic borrowing. Fiscal and monetary policy slippages contributed to weak fiscal and external positions and heightened debt vulnerabilities. The fiscal deficit is projected to widen to 4.3% of GDP in 2025 before declining to 2.3% in 2026 explained by high financing needs and high debt service obligations. The fiscal deficit remains above the ECOWAS macroeconomic convergence target of 3% of GDP due to lower domestic revenue, higher development financing needs and high debt service payments. Several measures have been outlined in the Finance Act 2024 and 2025 (Box 1) to boost revenues and reduce deficit including harmonizing the withholding tax rate for capital income, increasing excise duty on petroleum, imposing excise duty on plastics to protect the environment, and increasing import duty on rice from 5% to 10% to boost domestic rice production.

Box 1: Domestic Resource Mobilization efforts in Sierra Leone

Domestic revenue improved from 7.9% of GDP in 2023, to 8.9% of GDP in 2024, attributed to the implementation of tax policy and administration reforms. The key tax policy reforms implemented under the Medium-Term Revenue Strategy (MTRS 2023-2027) include the introduction of a 2% tourism levy, a 15% goods and sales tax on digital services, and the reintroduction of taxes on fee-based financial services and the removal of exemptions for telecommunications and airline tickets. The key tax administration measures include the increased rollout of the Electronic Cash Register system, and enforcement of compliance actions, including penalties. Despite the improvement in revenue performance, domestic revenues averaged only 8% of GDP over the past five years (2020-2024), which is significantly lower than Sub-Saharan Africa average of about 15%. Low revenue effort is partly explained by high level of informality and gaps in tax administration. The National Action Plan for Formalization in Sierra Leone under the Ministry of Trade and Industry aims at assisting business owners to formalize. The Action Plan among others, include measures to streamline business registration processes; support entrepreneurs access new market opportunities, which can be strong incentive for formalization; and the operationalize the One-Stop Shop for business compliance and development.

15. Sierra Leone's public debt is sustainable, but risk of debt distress remains high. Public debt declined from 53.4% of GDP in 2023 to 46.5% of GDP in 2024 largely due to lower borrowing as well as prioritization of concessional loans to finance fiscal deficit. External debt accounts for about 70% of the total public debt. Public debt is sustainable but the risk of debt distress remains high because of unfavourable ratios of external debt service and total debt service to revenues. Recent aid freeze by the USA will result in more pressure on the country's limited fiscal space exacerbated by low revenue effort leading to heightened debt vulnerabilities. Although Present Value (PV) of external debt to GDP ratio (20.9% in 2023); PV of external debt to exports ratio (103%) and external debt service to exports ratio (11.1%) all remain below sustainability thresholds under the baseline scenario and are projected to decline gradually over the medium term, the ratio of external debt to revenues (30.4% in 2023) is projected to remain above the sustainability threshold of 18% over the medium term, hence the high risk classification. The main drivers of public debt in Sierra Leone are primary fiscal deficit and exchange rate depreciation as the bulk of the public debt remains external. Structural changes, including fiscal adjustment measures involving expenditure management and revenue mobilization, as well as growth strategies including economic diversification and measures aimed at promoting productivity and human capital development would be crucial in addressing the country's debt vulnerabilities over the long term. Sierra Leone adopted a Medium-Term Debt Strategy (MTDS) 2023-2027. The MTDS aims to reduce the exchange rate and rollover risks in the existing debt portfolio and achieve a lower cost and risk of the debt stock by the end of 2027 while promoting the development of the domestic debt market, which is currently severely under-developed. The MTDS also ensures that interest paid to the entire external debt portfolio is fixed, and the bulk of the external debt portfolio is concessional.

16. The overall Country Fiduciary Risk of Sierra Leone remains substantial, although there have been some positive PFM reform outcomes. Timely preparation and submission of financial statements for external audit has improved due to the deployment of IFMIS to over 61 MDAs (above 80% of government expenditure). Other recent key PFM reforms include the establishment of the Treasury Single Account (TSA), Electronic Funds Transfer (EFT), introduction of Electronic Cash Register (ECR), and upgraded chart of accounts (COA) in line with the Government Finance Statistics 2014. The 2022 PEFA report noted significant improvement in TSA uptake by MDAs. Regarding procurement, the reform of the country system has not made significant progress due to weak capacity at all levels of public institutions. The government developed a State-Owned Enterprises Ownership and Governance policy in 2022. The Policy extends the Government's SOE reform efforts beyond privatization to oversight and governance of SOEs in line with international best practices.

1.7 The country has experienced volatilities in external trade and capital flows. The current account deficit narrowed to 3.8% of GDP in 2024 from 5% of GDP in 2023 supported by higher mineral exports. Exports increased from USD 1.3 billion in 2023 to USD 1.4 billion in 2024, while imports increased from USD 1.7 billion to USD 1.8 billion over the same period. Most of the exports are unprocessed commodities such as iron ore, diamonds, rutile and bauxite and minerals account for 60% of Sierra Leone's exports. Mineral processing has the potential to create more formal wage employment despite the capital-intensive nature of the sector. The bulk of imports include food items such as rice, petroleum, and machinery. The current account deficit is financed largely by the financial account, particularly through net current transfers (remittances, foreign aid and grants). Gross foreign reserves amounted to US$468 million in December 2023 (equivalent to 2.6 months of imports) but had dropped to below 2 months of import cover by August 2024.

18 The private sector is dominated by micro, small and medium enterprises (MSMEs) and a challenging macroeconomic environment. The MSMEs represent 90% of the private sector and accounts for approximately 70% of employment in the country. Private sector accounted for 60% of the country's GDP in 2022 (40% of GDP formal private sector and 20% informal private sector). However, like in many low-income countries, most MSMEs in Sierra Leone operates in the informal sectors and face significant challenges that limit their growth potential. This in turn constrains their ability to be the engines of economic transformation and to contribute to Sierra Leone's economic growth. These challenges include: i) inadequate access and high cost to credit, (ii) limited business support services and (iii) underdeveloped infrastructure – especially in energy, transport and water and sanitation. Private sector growth is also constrained by the macroeconomic environment, particularly high inflation affecting private consumption, and high interest rates affecting private sector credit. Exchange rates have stabilized (with a depreciation of only 5.0% in 2024 compared to 50.4% in 2023), inflation eased from 47% in 2023 to 30.3% in 2024, and interest rates expected to reduce in the near term (2025-2026). The Government has implemented several policy measures to improve the business environment, including the adoption of the Local Content Agency Act in 2020, and the operationalization of the MUNAFA Fund[3] in 2021 to provide and expand access to affordable finance to MSMEs.

19 **The Government is intensifying efforts in promoting Public and Private Partnerships (PPPs) but institutional capacity remains a challenge.** The government enacted a revised PPP Act in 2014 and the established a PPP Unit in 2015 to play a crucial role of a one-stop-shop in promoting, facilitating, and streamlining the inception, negotiations, and implementation of all PPP agreements. However, the main challenge in increasing the level of PPP investments is the inadequate institutional capacity in identifying, developing, structuring, and bringing bankable PPPs that will meet the appetite of key stakeholders. Building upon the progress already made, emphasis should be on strengthening the technical capacity.

20 **The financial sector is relatively underdeveloped, dominated by commercial banks which account for more than two thirds of financial assets, but generally sound.** The banking sector has remained well capitalized, globally liquid, and profitable. The financial sector comprises of 14 commercial banks, 17 community banks, 50 microfinance institutions (MFIs), of which 5 are deposit-taking institutions, 3 Mobile Money Operators, and 59 Financial Services Associations (FSA). The banking sector profitability relies mostly on domestic banks' investment in government securities. The Capital Adequacy Ratio (CAR) is above the regulatory minimum of 15% and was at 41.7% in December 2023. Furthermore, the Non-Performing Loans (NPLs) declined to 8.8% in December 2023 below the prudential threshold of 10%. Private sector-related credit remains low, under 20% of the sector's total assets, and is concentrated in commerce, finance, and construction activities. Moreover, two (2) State-Owned Banks still suffer from governance issues and are benefiting from technical assistance from the World Bank to address these challenges.

2.3 Sector Context

21 **Energy: The total installed generation capacity increased from 130 MW to about 270MW in 2024 with renewable energy constituting 55%.** The electricity access rate has also increased to 36% in 2024 compared to less than 20.0% in 2019. This increase in access rate is partly due to the investments of AfDB projects – CLSG and the Bo-Kenema Project. Renewable energy sources are gradually dominating the generation base in Sierra Leone. However, the electricity tariff has increased and the technical and the commercial losses have not been significantly reduced. Ministry of Energy has four guideline pillars that will continue to be the basis of affordable and reliable energy access. These pillars focus on conducting technical audit of the energy sector, undertaking robust reform, electrifying all district capitals and universal access, and investing in low-cost renewable energies - solar, hydro, wind, and biomass to diversify energy mix and promote sustainability. In September 2023, the authorities increased electricity tariff to about US$0.21 per kWh, which is high compared with the regional average of US$0.13 per kWh. Major challenges that the sector faces, such as: (i) technical and commercial losses which are mostly because of electricity theft and dilapidated distribution networks, (ii) limited funding for large-scale projects restricting the government's ability to enhance electricity generation, transmission, and distribution infrastructure, and (iii) delays in infrastructure development because of limited expertise, impeding progress.

[3]The Government of Sierra Leone Microcredit Scheme (MUNAFA FUND) as support to promote and develop SMEs in the country.

22. **Transport: Deficiencies exist in transport infrastructure and transport services in all four subsectors: roads, railway, air transport, and ports.** The national core road network is estimated at 11,555 kilometres comprising 8,555 kilometres that are functionally classified as primary, secondary and feeder roads while 3,000 kilometres make up local and township roads. The network accounts for over 80% of the domestic traffic flow and the current density of road network of 2.6 km/1000 inhabitants is above the average of 1.17km/1000 inhabitants for Sub-Saharan Africa. Significant progress has been made in improving the length of paved roads with funding by development partners such as European Union, Kuwait Fund, BADEA, IsDB, World Bank and AfDB. The 465km of the Trans West African highway connecting Sierra Leone with neighbouring Guinea, and Liberia is upgraded to ECOWAS standards. Despite these achievements, the road sub sector faces challenges including insufficient fuel levy to cover maintenance of the expanding road network and funding to improve connectivity of agriculturally productive rural regions, districts and chiefdoms to facilitate internal trade, commerce, and reduce transport costs and travel time.

23 **Water and Sanitation: Access to water and sanitation services remains inadequate**. Nationally, the proportion of people with access to at least basic drinking water (defined as safely managed and basic water sources) has increased to 65.34% (2022) from 59% (2015). However, there are still great disparities between those with at least basic coverage in rural and in urban areas, estimated at 54.1% and 79.8%, respectively (UNICEF WHO JMP, 2022)[1]. Despite the progress made so far on increasing access to safe drinking water, about 28% of the population is still drinking water from unimproved sources. In rural areas, more people are using unimproved and surface water sources compared to urban areas. Out of the existing improved water sources, an estimated 28 - 30% are not functional at a given time or not available when needed due to minor and /or major breakdowns[2]. The portion of the population using unimproved sanitation is high (26.37%) while only 22.92% of the population have access to at least basic sanitation. Furthermore, Sierra Leone faces challenges in providing reliable and sufficient water supply for industry and other sectors of the economy including tourism due to infrastructure limitations and uneven distribution, thus, negatively affecting private sector development. While the country has potential for economic growth in several sectors including industry and tourism, access to clean and consistent water remains a significant hurdle for private sector activity in those sectors.

24. **Information and Communication Technology (ICT) and Digitalization: Sierra Leone has experienced a significant digital transformation in the recent years, with a huge potential to boost economic growth** and development pathway through (digital) financial inclusion, job creation, services delivery, and reduction of transaction costs within the domestic economy. In January 2024, there were 2.7 million internet users in the country with an internet penetration rate standing at 30.4%, from 27% in 2019. A total of 8.3 million mobile connections (SIM cards) were also active in Sierra Leone in the same period, representing 93.3% of the total population estimated at 8.9 million in 2024. The Government has also committed to leverage digitalization for transforming the domestic economy through a more inclusive and human-centric development approach. A National Digital Development Policy (NDDP) was approved in December 2021 to support successful and efficient delivery of the national development plan through digitalization of the economy. Some donors-based initiatives such as the DIGIGoV project in Sierra Leone, also supported by the AfDB, are paving the way for more penetration of digital delivery of services in public administrations.

25 **Natural Resources: Sierra Leone's economy is heavily dependent on natural resources particularly mining.** The main minerals mined include iron ore, diamonds, rutile, bauxite and gold. Total mineral exports increased from US$0.89 billion in 2022 to US$1.2 billion in 2023, driven by iron ore and heavy minerals sand mines. To deepen governance in the mining sector, the Mines and Minerals Development Act was enacted in 2022, introducing

new provisions for exploration, mines and mineral development, sale and export for the socio-economic benefits of the people of Sierra Leone. However, all minerals are still mined and exported in their raw form without any value addition. There is a significant opportunity to establish local processing industries for minerals such as gold, diamonds, and bauxite. For instance, creating a local diamond cutting and polishing industry could retain more value within the country, thereby creating jobs and developing skills. The mining sector regulatory agencies will be supported to improve the monitoring of the sector, especially within the Artisanal and Small-Scale Mining (ASM) sector. Properly managed, the ASM sector can provide significant employment opportunities. Government also intends to improve monitoring and evaluation of mining operations to reduce Illicit Financial Flows in the sector.

26 **Agriculture: Although the country has huge agricultural potential, 75% of Sierra Leone's arable land remains uncultivated due to the subsistence nature of the farming and low levels of mechanization.** Irrigated rice, which is staple food, accounts for less than 4% of rice production. Despite huge potential for local production, 80% of the food consumed in Sierra Leone is imported. In 2023, the government launched its National Agricultural transformation Program (Feed Salone Strategy) with the goal of doubling rice production from existing levels and attracting foreign investors. In the 2024 finance bill, Sierra Leone imposed a new 5% import substitution. There are six emerging priorities in the Feed Salone Strategy: (1) Mechanization and Irrigation (2) Seeds and Input Systems (3) Aggregation, Processing and Marketing (4) Agricultural; Finance (5) Agricultural technology and Climate Smart Agriculture and (6) Empowering women and Youth.

27 **Fisheries and the Blue Economy: The fisheries sector plays an important role in the economic development and well-being of Sierra Leoneans**. The fishing sector accounts for about 8% of GDP and is estimated to provide direct and indirect employment to more than 900,000 people. Direct employment in the sector is mostly dominated by artisanal small-scale fisheries, including women processors. The country is endowed with both living aquatic resources (marine, brackish, and freshwater) and non-living resources with a shoreline length of about 560 km. It includes the estuaries of three large river networks (Scarcies, Sierra Leone and Sherbo), rich mangrove and climate resilient systems (172, 000 hectares), coastal islands, and an estimated 25,000 square kilometers of the continental shelf. Blue Economy has been emphasized by the government in its MTNDP 2024-2030 as a concrete mechanism to catalyze the economy given its significant potential in seafood value chains, allied industries in port and maritime transportation, recreational fisheries and tourism, renewable energy (hydro and tidal).

28 **Industrialization**: Despite persistent pattern of deindustrialization since independence, Sierra Leone has made progress in its industrial development to diversify its economy and lessen its reliance on traditional sectors – with notable developments mainly in food processing. Recent efforts include Parliament's ratification of establishment of the Koya Industrial Zone in 2023 to host companies specializing, among other things, in agro-industry, timber processing, pharmaceuticals, consumer goods manufacturing, electric vehicle manufacturing, and cement and tile manufacturing. Historically dependent on mining and agriculture that account for over 70% of export revenue, the country is now emphasizing sectors such as manufacturing, construction, and services to establish a more robust and sustainable industrial base.

29 **Regional Integration and Trade: Sierra Leone is an active member of the Economic Community of West African States (ECOWAS), the Mano River Union (MRU) and AU and has ratified the AFCFTA.** It is a small open economy, where total trade (exports plus imports) represented 43% of GDP in 2023**.** Sierra Leone exports mostly low complexity goods comprising of minerals and agriculture products. Minerals and metals accounted for 60% of merchandise exports in 2023. The top five major export trading partners for Sierra Leone in 2021 were China, Belgium, Germany, UAE and Romania. Intra-Africa exports account for 35% of Sierra Leone's global exports while intra-Africa imports account for 8% of Sierra Leone's global imports. In terms of the depths of regional integration on the continent as shown

in the 2019 Africa Regional Integration Performance Index (ARII), the country performed below average in most of the indicators ranking 40th in trade, 37th in production, 30th in macroeconomic integration; 49th in infrastructure integration and 41st in free movement of persons in the continent. However, Sierra Leone ranked 22nd out of 54 countries in AfDB's 2023 Visa Openness Index. And according to Mo Ibrahims regional integration indicator, which assesses the extent of government's development of regional integration, the extent of a country's intra-African trade as well as the visa openness towards other African countries, Sierra Leone's score improved only marginally from 35.1 in 2014 to 39.7 in 2023, moving up only one rank from 34th to 33rd. The Government has developed a National Trade Strategy fully aligned with the objectives of the AfCFTA to maximize benefits from the free trade agreement.

2.4 Social Context and Cross Cutting Themes

30 **Sierra Leone is characterized by high levels of poverty, and income inequality.** This is due to slow growth, low savings, and investment and heavy dependence on natural resources with low value addition, economic diversification, and structural transformation. The poverty headcount ratio declined to 56.8% in 2018 from 62.4% in 2011[3]. In 2020, the multidimensional poverty rate was 59.2% (4.8 million people), (exacerbated by the negative impacts of COVID-19 and rising cost of living due to the rapidly increasing inflation and exchange rate depreciation triggered by multiple shocks). Inequality increased as indicated by rise in the Gini coefficient from 0.33 to 0.357 between 2011 and 2023. Food insecurity has intensified due to the increase in food prices. Poverty is higher in rural areas (73.9%) compared to urban areas (34.8%). Extreme poverty is also higher in rural areas (19.9%) compared to urban areas (3.8%) and national-wide extreme poverty rate of 12.6%.

31 **Youth:** Sierra Leonian youth account for 66% of the country's population. About 10% of youth are unemployed and significantly more are underemployed[4], compounded by skills mismatch. According to the Government's Medium Term National Development Plan, about 60% of youth population is unemployed or underemployed while 50% are illiterate or unskilled. In recent years, Sierra Leone has experienced widespread drug abuse (drug locally known as 'kush') among youth, prompting the government to declare a national emergency in April 2024. National Youth Policy (2020–2025) outlines the government's commitments, principles, and actions for youth empowerment focusing on: (1) access to livelihood opportunities through education and training opportunities; sporting activities and entrepreneurship with an emphasis on agriculture and fisheries, (2) legal framework to address continued marginalization of youth; gender- based violence and discrimination against female youth; harmful migration; substance abuse; and other youth related violence, and (3) greater youth participation in policy processes and development to build trust and confidence in the socio-economic and political system and restore family and community values and norms.

32 **The Government has prioritized human capital development (education and health) as one of the Big Five Game Changers in the MTNDP 2024-2030 to foster sustainable inclusive development.** It has introduced innovative programs, such as the free quality primary and senior secondary education program, technical and vocational education, and training (TVET) to address skills development and youth unemployment issues**.** The adult literacy rate was 49% in 2022 and learning outcomes are low, especially at the end of secondary schooling. In 2022 gross enrolment was 157% for primary, 106% for junior secondary and 87% for senior secondary schools. Gender parity has been achieved in primary and junior secondary school enrolment. The primary completion rate is 68%, with transition to junior secondary school of 88%. Despite recent progress in enrolments, infrastructure for science, technology, engineering, and mathematics (STEM) education remains weak. The government launched its first Science, Technology and Innovation Policy in 2023 to address these challenges and allocated 20% of its budget to education in 2024.

33. **Sierra Leone has made marginal progress in improving health outcomes in the last two decades**. According to UNDP's Human Development Report (2025), Sierra Leone's Life

expectancy increased to 61.8 years in 2023 compared to 39 years in 2000. Under five-mortality fell from 267 in 2000 to 122 in 2019, infant mortality from 142 in 2000 to 76 in 2022, and maternal mortality fell from 717/100,000 in 2019 (World Bank, 2018; SLDHS 2019) to 443 in 2020 (WHO, 2022) but is still one of the highest in the world. Similarly, the HIV prevalence rate has been reduced slightly from 1.5% 2005 to 1.4% in 2022 (AfDB 2025). Despite these improvements, the country has not achieved most of the health-related Sustainable Development Goals (SDGs) targets set for 2030. There are 1.4 doctors, nurses, and midwives per 10,000 population compared to the most recent sustainable development goals threshold of 44.5. In absolute terms, this equates to a qualified workforce of just over 1000 doctors, nurses, and midwives, with an approximate shortage of 32,000 and only one medical school in the country.

34 **Food security**: **Sierra Leone has enormous agriculture potential, which remains largely untaped, while the country continues to face food insecurity challenges**. With its tropical climate and abundant rainfall, the country is richly endowed with vast fertile land, and multiple rivers with great irrigation potential that could collectively support enough food production to meet local consumption and export needs. However, according to the 2024 Food Security Monitoring System Report by the World Food Program, 82% of Sierra Leone's population are food insecure, and more than two thirds of the surveyed households spend 75% of their earnings on food. Additionally, because of the reliance on the international market for the supply of the country's staple food, especially rice, a significant share of the national budget is dedicated to support the importation of essential food items.

35 **Gender Equality: Gender inequality in Sierra Leone is driven by gender norms and practices that undervalue women and girls in almost all spheres of life**. Sierra Leone ranked 157th out of 166 countries in 2022 Gender Inequality index. About 70% of women in Sierra Leone are employed in agriculture and provide 75% of the labour along the food value chain, from production, processing to marketing. Up to 95% of women are self-employed and in vulnerable employment compared to 85% of men. The dominance of women in the self-employed/informal sector with poor working conditions, low salaries without social protection leaves them open to exploitation and increases their vulnerability to poverty. The share of women lawmakers increased from 14.5% to 30.4% of the elected seats in Parliament over the past two elections. Gender based violence remains high while over 48% of women and girls have undergone female genital mutilation (FGM). Recently, there have been several progressive policy and legal reforms on gender equality and women's empowerment. In 2022, three laws were passed which support women's economic and political empowerment including, the Gender Empowerment Act which reserves 30% of seats for women in politics; the Public Elections Act which disallows gender-based discrimination in public election; and the Customary Lands Act that guarantees women's ownership of land.

36 **Climate Change and green growth: Sierra Leone is one of the most vulnerable countries to climate change in the world.** According to the 2025 Notre Dame Global Adaptation Initiative Country Index (ND-GAIN 2025), Sierra Leone is lowly ranked at 179th out of 187 countries globally in terms of climate vulnerability, and other global challenges in combination with readiness to improve resilience[5]. According to the nationally determined contribution (NDC) 2021 report, the average annual temperature has increased by 0.8°C since 1960, an average rate of 0.18°C per decade. Temperature in Sierra Leone is projected to increase by 2-4 degrees Celsius by the end of the century. The country is already experiencing frequent and severe droughts, floods, and coastal erosion, with significant negative impacts on the economy, food security, and human health. The country's vulnerability to climate change is exacerbated by heavy dependence on agriculture, high poverty rates, weak infrastructure, and limited adaptive capacity. In its NDC 2021, the country is committed to achieve a reduction in CO_2 emission levels to 5% by 2025, 10% by 2030, and 25% by 2050.

37 Transition to Green Growth: **Sierra Leone has demonstrated commitment to green growth and made progress in mainstreaming green growth and climate action in its national development agenda**. The Medium-Term National Development Plan (2024-2030) emphasizes the alignment of environmental, climate and economic development plans to proactively mitigate the causes of global warming. Sierra Leone's updated Nationally Determined Contribution (NDC) 2021 underscores that climate change mitigation is particularly crucial for the country in terms of adaptation, as well as mitigation measures. Sierra Leone has also adopted a National Climate Change Policy and National Climate Change Strategy and Action Plan driven by the need to urgently address the adverse impacts of climate change on the country's economy and society as well as its physical environment. This is the basis for green growth in Sierra Leone. Sierra Leone's Green Growth Index improved from 44.9 in 2021 to 46.12 in 2023, attributed to the performance in efficient and sustainable resource use – an indication that the country is making progress in transitioning to green growth despite the challenges.

38 Environmental and social safeguards: Sierra Leone's Environment Protection Agency Act of 2008 (revised in 2010 and recently in 2022) guides the country's environmental management system including the requirements for conducting an ESIA for high-risk projects and the preparation of an ESMP for low-risk projects. Sierra Leone recently enacted the National Development Induced Resettlement Act 2023 which deals with issues relating to involuntary resettlement and compensation for physical and economic displacement resulted from development projects. There are also different requirements embedded in different Acts and Policies that deal with environmental and social protection. Although the country has regulations across several acts and policies, their implementation by the designated institutions remains a challenge. Preliminary findings of the African Development Bank's 2025 Country System Assessment for Sierra Leone confirm weak capacity and poor coordination across various entities in charge of implementing the country's E&S policies. The E&S performance rating of the Sierra Leone portfolio also highlights this. There are both strategic and operational challenges that are responsible for the portfolio performance. From an operational perspective, the weak capacity to monitor and implement E&S instruments such as Environmental and Social Management Plans (ESMPs), Resettlement Action Plans (RAPs) is evident. On the strategic perspective, the lack of adequate budgeting, logistics as well as delays in compensation has adversely affected the performance of projects in the country's portfolio. Annex A.19 presents a detailed analysis of Sierra Leone's E&S landscape.

39 Civil Society Organization (CSO) Engagement: The Sierra Leone Association of Non-Governmental Organizations (SLANGO), a government-affiliated umbrella organization, listed 386 registered non-governmental organizations (NGOs), distinct legal entities. SLANGO can provide turnkey solutions due to their close partnership with communities and their understanding of local contexts, CSOs are in a unique position to propose practical, innovative solutions that can be readily implemented. This capability can be particularly valuable for the AfDB's operations, making them more effective and tailored to the needs of the population. SLANGO works closely with the government (Ministry of Finance) and acts as a mediator between the government and Civil Society, facilitating dialogue and cooperation.

2.5 Country Strategic Framework

40 Sierra Leone's Medium-Term National Development Plan (MTNDP 2024-2030 aims to steer the country towards a lower-middle-income status, focusing on food self-sufficiency, skilled workforce, youth employment, economic growth, and public service efficiency. The plan identifies "Big Five Game Changers" namely: (a) Feed Sierra Leone; (b) Human capital development; (c) Youth employment scheme; (d) Technology and infrastructure; and (e) Transforming the public service infrastructure. These Big Five priorities are driven by five strategic enablers, namely, (i) Diversifying the economy and promoting growth, (ii) Governance and accountability, (iii) Advancing climate resilience and environmental action, (iv) Gender mainstreaming and (v) Financing and partnership, among others. The national development plan feeds into the country's longer-term vision to achieve middle-income status by 2039 and is strongly aligned to the SDGs 2030 goals and African Union Agenda 2063.

2.6 Aid Coordination Mechanisms, Bank Positioning and Comparative Advantage

41 **Aid coordination mechanisms:** The Development Assistance Coordination Office (DACO) under the Ministry of Planning and Economic Development is responsible for aid coordination and harmonization in Sierra Leone. In accordance with the Busan New Deal for Engagement in Fragile States, government and development partners agreed on a clear division of labour (Annex A.18). This was based on comparative advantages and guides strategic resource allocation for the successful implementation of the government's MTNDP 2024-2030. The Development Partnership Committee (DEPAC) consisting of the government, DP and other stakeholders meet regularly to development progress and challenges. The AfDB is active in thematic and sector working groups and participates in regular DEPAC meetings and is active member of the PFM Donor Working Group and other sector working groups. The AfDB is currently supporting the implementation of the PFM reform strategy 2023-2027 in partnership with EU, FCDO, IMF and the World Bank through technical assistance to strengthen public debt management and institutional capacity.

42 **Bank Positioning:** According to data from OECD, annual Official Development Assistance (ODA) inflows to Sierra Leone during the 2019-2023 period averaged USD 685.8 million, and AfDB accounted for 4% of these resources. In total, multilateral organizations accounted for the largest share of ODA inflows (73%) to Sierra Leone, while G7 countries accounted for 21% of the ODA flows. The World Bank is the largest donor in Sierra Leone, accounting for 38% of the ODA inflows, followed by the IMF (14%), EU Institutions (9%), and the United Nations (5%). Among the G7 countries, the USA is the largest donor, accounting for an estimated 7% of the total ODA flows, followed by UK (6%), Germany (4%) and Japan (3%).

43 **The AfDB's comparative advantage is in infrastructure**. Despite the small share of ODA flows (4% during 2019-2023 period), the AfDB has been successful in building partnerships and mobilizing co-financing to support transformative infrastructure projects in Sierra Leone. For instance, in the ongoing portfolio, the Bank's commitment of UA 10 million in water and sanitation portfolio has leveraged co-financing amount to UA 44.02 million (81.4% of project cost); while in energy sector the Bank's commitment of UA 9.31 million has leveraged co-financing amounting to UA 25.7 million. Currently, the Bank is among the important development partners in transport, energy, water and sanitation and agriculture sectors. Support in these four sectors is critical in building resilience and addressing fragility drivers in Sierra Leone, and the Bank's presence has been key in leveraging additional support from both traditional and non-traditional donors. Furthermore, the AfDB maintains a successful track record in financing infrastructure development and has a distinctive position as a knowledge institution and a trusted partner in supporting Sierra Leone's development efforts.

44. **Potential impact of 2025 aid freeze:** Recent decision by the USA government to freeze all US foreign development assistance programs has negatively affected official development assistance (ODA) flows to Sierra Leone. Although no formal announcement has been made by the other bilateral development Partners, there are indications that ODA flows to Sierra Leone in 2025 will decline. Most of the USAID funded programs in Sierra Leone are off budget, implemented through third parties, including the Non-Governmental Organizations, and the authorities are currently carrying out an assessment to determine the fiscal impact of the aid freeze. Off-budget grants to Sierra Leone are estimated at approximately 2% of GDP.

The government's preliminary estimates suggest a potential loss of about USD 28 million in grant disbursements in 2025 following the aid freeze.

2.7 Strengths, Opportunities, Weaknesses and Challenges

45 **Sierra Leone's overarching development challenge is the persistent fragility holding back economic diversification, structural transformation and inclusive growth.** Despite the country's natural resource endowment, renewable energy potential, and tropical climate with huge agriculture potential, the key underlying development challenges, which are the main structural drivers of fragility, are severe infrastructure deficit, low human capital development, a private sector straddled by informality and limited value addition, weak governance and institutional capacity, macroeconomic imbalance and vulnerability to climate change and external shocks (see box 2).

Box 2: Sierra Leone's Strengths, Weaknesses, Opportunities and Challenges	
Strengths (Internal)	**Weaknesses (Internal)**
✓ **Large natural resource endowment**: Sierra Leone is well endowed with both renewable and non-renewable resources, including minerals, metals, forestry, fertile land, marine and water resources. ✓ **Peace and political stability:** Despite the recent coup attempt, the country is peaceful, and its political environment is stable ✓ **Large youth population** with significant potential for demographic dividend. ✓ **Tourism potential**: Natural beauty and diverse socio-cultural heritage offers opportunity to develop tourism.	✓ **Severe infrastructure deficit,** particularly in transport, energy and water and sanitation. ✓ **Low human capital development and weak institutional capacity** at all levels of the public sector. ✓ **A private sector straddled by informality** and limited value addition ✓ **Weak governance and institutional capacity** with particular weaknesses in public financial management systems ✓ **Macroeconomic imbalance**, with high risk of debt vulnerabilities.
Opportunities (External)	**Challenges/Threats (External)**
✓ **Opportunities offered by AfCFTA to trade in Africa** ✓ **Increased use of technology,** particularly artificial intelligence which can spur the fourth industrial revolution in Sierra Leone	✓ **Vulnerability to climate change** especially in agriculture and energy supply ✓ **Vulnerability to multi external shocks**

3 KEY FINDINGS OF COUNTRY PORTFOLIO PERFORMANCE REVIEW

3.1 Active Portfolio Overview

46 The AfDB's active portfolio in Sierra Leone as of June 2025, is comprised of 12 public sector operations with a total commitment of UA 134 million (USD 181.8 million) (see Annex A.6). The transport sector accounts for the largest share of the portfolio (41%), followed by Agriculture (22%), multisector (21%) Energy (9%), and Water and Sanitation (7%). The portfolio is financed through ADF (66%); Co-financing (34%) from the EU, OFID, FCDO and the Kuwait fund. The portfolio contributes to 4 of the AfDB's High 5 priority areas: Light up and Power Africa (25%), Integrate Africa (28%), Feed Africa (15%), and Improve the quality of life of Africans (32%).

3.2 Portfolio Performance

47 Overall performance of the Sierra Leone portfolio is satisfactory with no flagged operations over the past two years. The AfDB's commitment has increased from UA 91.87 million in 2020 to UA 134 million in May 2025. The average size of projects increased from UA 13.6 million in 2020 to UA 17.6 million in 2024. The average age of projects in the portfolio has increased from 3.3 years in 2020 to 4.3 in May 2025 – elevated by the Bo-Kenema energy project – approved in 2016 and scheduled to close in June 2025; and Freetown Wash and Aquatic Environment Revamping Project – approved in 2018 and scheduled to close in June 2026. The portfolio has 0% red flagged projects consistently since January 2023 – achieved through excellent teamwork with task managers and the Bank's ecosystem (One Bank), fruitful collaboration with the authorities, regular meetings with the executing agencies– while maintaining open door policy for consultations, and proactiveness in addressing challenges

especially procurement delays and capacity gaps in project implementation.

3.3 Portfolio Monitoring and Evaluation

48 Portfolio performance is monitored through supervision missions, monthly meetings between the Task Managers, the CPO, and the project implementation units (PIUs) and Executing Agencies, quarterly operations meetings between the CPO, Task Managers and Ecosystem colleagues, quarterly reports by PIUs and continuous dialogue/engagement with the Government. However, supervision missions need to focus much more on outcomes/impacts of projects. Both project and Bank staff need to do much more in monitoring and evaluating the impacts of projects. The Bank should sustain the fiduciary clinics and targeted training for Government staff involved in project implementation to strengthen capacity. Robust M&E is central to allowing GOSL monitor implementation of its MTNDP and track progress towards development goals, including the SDGs. It is also critical in furnishing development partners with necessary information to improve quality of their operations and manage their portfolio better. Also, there is a need for strengthening of the E&S capacity for PIUs to enhance portfolio monitoring. (Annex A.19 presents a detailed assessment of the E&S capacity and proposed actions).

3.4 Sierra Leone 2024 Country Portfolio Improvement Plan (CPIP)

49 During the 2024 CPPR, the Portfolio Improvement Plan (2024 CPIP) identified 8 challenges and agreed on 11 recommended actions to address these challenges (see Annex A.7). Recommendations were made to both the Government/PIUs and the AfDB, geared towards improving portfolio performance. The recommendations covered actions to address portfolio implementation challenges, including: (i) Delays in the submission and clearance of annual work plans and budget and procurement plans (ii) Delays in granting No objection to procurement documents, (iii) Delays in the processing of Disbursement requests and special account justification, (iv) Inappropriate management of special accounts

4 LESSONS LEARNED

4.1 Lessons for the AfDB

50 At the strategic level, the focus of Bank support should contribute to scaling up the pace of Sierra Leone's economic transformation which is held back by weak private sector and reliance on natural resources with low value addition. This lesson forms the basis of the Bank's focus on supporting private sector SMEs, particularly those in agro-industrial value chains to help accelerate the transition to a more inclusive and less fragile Sierra Leone. Consequently, during the new CSP period (2025-2030), the AfDB will support agro-industrial development with emphasis on SMEs in the agro-industry to foster inclusive growth and job creation.

51 At the operational level, one of the key lessons from the expiring CSP is that prioritizing targeted training on Bank rules and procedures leads to better outcome on the portfolio health. The Bank will therefore continue to focus on targeted training for PIUs, including through ECAD's assistance, for faster project implementation. Furthermore, the Bank will continue to strengthen the staff skill mix for task managers based in the country office, including through the recruitment of national task managers, to enhance efficiency in portfolio monitoring. Also, for financial sustainability, the Bank will sustain dialogue with the authorities and continue to sensitize the Government to allocate financing for maintenance of infrastructure, especially in the road and energy sectors. Furthermore, considering the inadequate level of E&S capacity, targeted training on the updated Integrated Safeguard System (ISS) will be provided for coordinators, environmental and social safeguards (and gender) specialists/officers, monitoring and evaluation specialists, procurement and financial management specialists, and project engineers as well as key institutions.

52 The Evaluation by the **Bank's Independent Evaluations Department (IDEV)** of the Bank Group's programming in Sierra Leone between 2013 and 2023 noted that the objectives and pillars of the CSPs were fully aligned with Sierra Leone's development strategies and Bank's priorities and tackled key drivers of fragility but noted the need to align ambition with resource availability and strengthen the country presence of task managers. In response to this finding, the AfDB will focus on fewer but more transformative operations in the new CSP. Also, the Bank will continue to strengthen the country presence of project task managers based in the country office, including through the recruitment of national task managers. The evaluation also noted the need to generate knowledge products for effective policy dialogue and to inform the design of new interventions. Consequently, the Bank plans to conduct a *Private Sector Diagnostic Study* to anchor its support to the private sector.

53 Furthermore, guidance from the Bank's **Boards of Executive Directors** provided useful lessons for Management. In particular, the Report of the AfDB's Executive Directors visit to Sierra Leone in 2024 provided useful guidance particularly on the need to focus on private sector development and domestic revenue mobilization in the new CSP. Annex A.11 presents a summary of the findings and recommendations from Executive Directors' mission.

4.2 Lessons for the Government

54 Given the drop in PBA allocation for the country because of non-eligibility to upfront TSF pillar I resources, the government will have to use the limited allocation from the AfDB to leverage additional resources from other development partners, regional envelope, and the private sector to create impact. Coordination by the Ministry of Finance as well as collaboration between MDAs is important for improved portfolio delivery.

55 Project readiness improves quality at entry; feasibility studies should therefore be available prior to proposing projects for inclusion in the IOP and all activities related to compensation of project-affected people should be completed on time. Project readiness can be improved through use of the ADF-PPF. The Government should provide adequate budget to the relevant implementing agencies to ensure timely payment of compensation. It should equally ensure close oversight through project steering committees where these exist, for enhanced delivery. Adherence to Bank financial management procedures and procurement principles are of prime importance for portfolio quality and timely delivery.

4.3 Lessons for Development Partners

56 Strengthening coordination and harmonization among donors and with the government was found to be critical in aligning donor's interventions with the country's needs and developing synergies to improve impact. The AfDB will therefore continue its leadership in core DP Working Groups, particularly those where it has active portfolio.

5 BANK GROUP STRATEGY FOR 2025-2030

5.1 Strategy Rationale, Selectivity, Objective and Priority Areas for Bank Support

57 Strategy Rationale: Sierra Leone's overarching development challenge is the persistent fragility holding back economic diversification, structural transformation, and inclusive growth. The key underlying development challenges, which are the main structural drivers of fragility, are severe infrastructure deficit especially in energy, transport, and water and sanitation; low human capital development, a private sector straddled by informality and limited value addition, weak governance and institutional capacity, macroeconomic imbalance and vulnerability to climate change. These development challenges as indicated by the Fragility and Resilience Assessment (see Annex A.16) provide the rationale for preparing the Bank's new CSP for Sierra Leone.

58 Selectivity: This strategy is selectively articulated to maximize the effectiveness of the Bank Group support given the magnitude of development challenges facing Sierra Leone amid limited fiscal space and high risk of debt distress. Selectivity criteria ensure alignment of Bank support with the document "*Sharpening the Bank's Strategic Focus: A Proposal to Increase the Bank's Selectivity*", approved by the Board in May 2021. The CSP 2025-2030 is guided by following selectivity criteria: (i) addressing the most pressing development challenges for Sierra Leone, notably fragility and strengthening resilience; (ii) alignment with Sierra Leone's strategic development framework; (iii) focus on the AfDB's achievements and comparative advantage; and (iv) outcome of stakeholder consultations.

59 CSP Objective and Priority Areas for Bank Support: To address Sierra Leone's overarching development challenge, the main objective of the Bank's new CSP is to strengthen the resilience of the economy to tackle key drivers of fragility and accelerate socio-economic development. To achieve this objective, based on the analysis in the CDN and selectivity criteria outlined above, the CSP is anchored on two complementary Priority Areas for Bank support: **(1) Developing sustainable infrastructure for private sector development**; and **(2) Supporting agriculture value chain development for job creation and food security.** Bank support will focus on energy, transport and water and sanitation sectors under Priority Area I, and agriculture sector under Priority Area II.

5.2 What the Bank will do differently under the new CSP

60 While focusing on the same sectors to consolidate the gains, and also, considering the recommendations from the Executive Directors' Mission to Sierra Leone in 2024, the Bank will take a more private-sector focused approach in its interventions to crowd in private sector investments including by focusing on agro-allied private sector SMEs with the potential for larger impact on job creation and inclusive growth. Since MSMEs account for 90% of Sierra Leone's private sector, by catalysing expansion of private sector SMEs and jobs especially for youths, the Bank will contribute to wealth creation, through higher levels of disposable income and increased demand for goods and services. Further, the Bank's investment in energy, transport and water and sanitation infrastructure will contribute to cost reductions and productivity improvements, boosting private investments, employment and earnings. Also, the Bank recognizes that its envisaged investments in physical infrastructure need to be accompanied by 'soft' measures to get the macro-economic fundamentals right, which is required for the private sector to effectively take off. Specifically, the Bank will provide technical assistance to the Ministry of Finance on "Policy Options to Restore Macroeconomic Stability Focusing on Inflation and Exchange Rate Management", with the aim of reducing interest rates to improve access to credit (see Annex A.2 on non-lending). The Bank will also work closely together with the IMF in that regard. In addition, the Bank will support public-private partnerships (PPPs) and private sector incubation hubs to support the development of innovative and bankable private sector project proposals. Since the needs in energy, transport, water and sanitation and agriculture sectors which were targeted under the previous strategy remain very high, the AfDB will aim to consolidate the gains made in those sectors, thus ensuring continuity in the priority areas for new strategy. Guided by the selectivity criteria, the Bank will invest more selectively in fewer, larger and more transformative operations. The proposed focus on the targeted four sectors is informed by Bank's comparative advantage, the need to sustain support for resilience building, and the Bank's ability to leverage partnerships to crowd in other donors' support through co-financing. Furthermore, the lessons from the ongoing operations especially in the agriculture sector will be key in bolstering support for private sector development, including in rice value chain upstream activities. At the operational level, the Bank will build on the recent initiatives that have enabled strong portfolio performance with no flagged operations by strengthening the targeted training for PIUs to speed up project implementation and maintain a healthy portfolio.

5.3 Strategy and Main Expected Results

5.3.1 Priority Area 1: Developing sustainable infrastructure for private sector development

61 **Objective**: The objective of Bank support under Priority Area 1 is to reduce the infrastructure deficit and foster equitable access to basic infrastructure to enhance economic competitiveness, create jobs and reduce poverty. To achieve this objective, the Bank will focus on infrastructure development through strategic investments in energy, transport, and water and sanitation. The theory of change for this strategic focus is that the Bank support to these sectors will contribute to addressing the infrastructure deficit, reducing the cost of doing business, thus promoting private sector development. Support to energy sector will contribute to increasing access to affordable and reliable electricity supply to households and businesses. The Bank will support electricity generation, transmission, and distribution with a particular focus on renewable energy. In transport sector, the Bank will invest in upgrading of the national and regional road networks to improve transport connectivity, reduce the cost of doing business and enhance the competitiveness of the economy. For water and sanitation (WASH), the underlying theory of change is that support to WASH will contribute to reducing water borne diseases, enhance human capital development, improve labour productivity and contribute to economic growth. Furthermore, investments in WASH will contribute to private sector development by addressing infrastructure limitations and facilitate provision of reliable and sufficient water supply for private sectors in industry and other sectors of the economy, including tourism.

62 Strategic Outcome 1: Improved access to reliable electricity. The Bank's investments in the energy sector will aim to contribute to the Government's objective of increasing national electricity access from 36% in 2023 to 80% by 2030. The Bank will support electricity generation, transmission, and distribution, particularly focusing on renewable energy and contribute to increased access, reductions in power tariffs and subsequent improvements in affordability in the long term. Reliable access to electricity is expected to reduce the cost of doing business for the private sector. Sierra Leone expressed interest to participate in the second cohort of beneficiaries of Mission 300 (M300) Africa Energy Summit concluded in Dar es Salaam in January 2025, with the potential for partnership opportunities to scale up energy sector interventions in the country. Consequently, with support from the AfDB and the World Bank, Sierra Leone is finalizing the preparation of M300 National Compact under Cohort 2, aimed at building a resilient, inclusive and sustainable energy system. The compact focuses on increasing generation capacity, attracting investment, accelerating digital innovation, expanding rural electrification, and fostering economic growth. The compact supports key national targets, including increasing energy access from 36% to 80% by 2030, expanding the share of renewables, promoting clean cooking solutions, and mobilizing significant public and private investment including the participation of Independent Power Producers (IPPs). Additionally, the Bank recently approved a Project Preparation Facility (PPF) amounting to USD 2.5 million to facilitate preparation of Rural Electrification and Access Project estimated at about USD 100 million.

63 Strategic Outcome 2: Improved road transport connectivity. The Bank support will focus on the expansion of sustainable and resilient national road network to reduce the cost of road transport and doing business for the private sector, particularly targeting small, and medium enterprises (SMEs). This outcome also responds to the recommendations of the Bank's Executive Directors' Mission to Sierra Leone in 2024, among which, the need to address gaps in transport connectivity to reduce the cost of doing business for private sector was emphasised. Transport interventions will mainly focus on connecting communities to markets within the country as well as across borders. Transport sector operations will also aim to promote regional integration by addressing bottlenecks to trade and investment within the Mano River Union (MRU) and ECOWAS region. The Bank's operations in transport will include capacity development components, including through technical and vocational education and training (TVET) to equip the youth and women along project corridors with relevant skills for use in the implementation of these operations and later, to pursue careers in the construction and related industries to enhance youth employability, thereby contributing to inclusive growth. Specifically, Bank interventions will aim to (1) reduce travel time between Kailahun and Koindu from 1hr 30 minutes to 40 minutes, and (2) reduce vehicle operating cost from USD 0.52 cents/km to 0.39 cents/km. The results in transport sector will be mainly from the ongoing MRU-3 and MRU-4 road projects which are currently both in early stages of implementation. For institutional sustainability in transport sector, MRU-3 has a dedicated component on structured training programmes for members of the project Implementation Unit (technical, financial, procurement, and environmental management), aimed to enhance the internal capacity to manage road projects effectively without relying heavily on external consultants. Regarding financial sustainability, MRU-4 has a provision for consultancy services to develop reliable long term funding strategies for road maintenance and reduce dependency on unpredictable budget allocations.

64 Strategic Outcome 3: Improved access to clean water and sanitation. Bank support in water and sanitation sector will focus on construction of new and rehabilitation of the existing infrastructure to improve access to safe drinking water. Support to water and sanitation will contribute to reducing waterborne diseases and enhance human capital development. The Bank's investment in water and sanitation sector is expected to contribute to the authorities targeted increase in access to safe and portable drinking water from 63% in 2023 to 90% in 2030. Also, the interventions will aim to contribute to government's targeted increase in the access to basic sanitation from 33% in 2023 to 51% in 2029.

5.3.2 Priority Area 2: Supporting agriculture value chain development for job creation and food security.

65 Objective: The objective of Bank support under Priority Area 2 is to support agro-industrial development with emphasis on SMEs in the agro-industry to foster inclusive growth and job creation. Women and youth led agro-focused SMEs will be prioritized to ensure food security and foster export in line with the government's agenda of Feed Sierra Leone and contribute to reducing gender inequality. Bank support will contribute to inclusive and sustainable agro-industrial development in Sierra Leone, improve food security, reduce rice imports, create jobs, and reduce poverty especially through rice value chain development.

66 Strategic Outcome 4: Food self-sufficiency and job creation. Bank support will contribute to reducing the proportion of the food insecure population from 82% in 2023 to 45% in 2030. The Bank will support the rice value chain development to harness the potential in the agriculture sector to foster structural transformation, reduce rice imports, ensure food security, and create jobs. The Bank will invest in Special Agro-Industrial Processing Zones (SAPZ) with aim to increase productivity by concentrating agro-processing activities in areas with high agricultural potential. The Bank's intervention in Special Agro-Industrial Processing Zones (SAPZ) will aim to create an enabling environment to support the development of a private sector-led, Government-enabled modern rice value chain. Furthermore, the intervention will focus on strengthening climate-resilient production and productivity, modern processing, and marketing of 'import grade' milled rice and promote domestic rice self-sufficiency. Therefore, the planned SAPZ operation will contribute to reducing food insecurity and the country's food import bill by supporting expansion in domestic rice production and subsequent reduction in importation. The Bank operations in rice value chain development are expected to contribute to the reduction in the annual rice import bill from about USD 200 million in 2023 to less than USD 120 million by 2030. The intervention will enable the private sector to invest in the catchment area of the SAPZ to produce rice competitively and sustainably, creating decent jobs, sustainable economic livelihoods, and promote food and nutrition security. The design of the SAPZ operation will be informed by lessons from the implementation of ongoing operations (Agribusiness and Rice Value Chain Support – SLARIS, and Rice Agro Industries Clusters - RAIC), similar projects in other countries in the region. Key lessons include the need to (i) align the project design with national priorities and local needs to enhance stakeholder buy-in; (ii) improve quality at entry in project design, procurement planning, implementation and contract management; including built-in flexibility to adapt to changing technical or financial conditions; (iii) strengthen Public-Private Partnerships (PPPs) framework – including through stronger regulation, incentives and capacity building programs for private actors (iv) embed sustainability and exit strategies including engagement of the private sector and stakeholder communities in the management of project infrastructure; and (v) ensure gender mainstreaming and youth inclusion systematically – including through targeted support for women and youth to enhance impact. Additionally, results in this area will be boosted by the implementation of the recently approved *Job Creation for Youth and Women in Climate Smart Agriculture Value Chains and Waste Management Project*, under which the Bank will scale up its support for the development of the blue economy to enhance job creation and broaden tax base through potential revenue flows from value addition in fisheries.

67 **Cross cutting themes:** The CSP will streamline cross-cutting issues including environment and climate change, building resilience to shocks and fragility, gender, youth employment, and governance in all interventions across the two priority areas. All operations will be screened using the updated Integrated Safeguards System (ISS) to ensure compliance with the Bank Group's environmental and social safeguards standards. As the project ticket size increases, the Bank will scale up capacity building to strengthen project level and national capacities to manage environmental and social risks. In addition, each Bank project will continue to undergo a gender marker assessment exercise to inform gender mainstreaming in project design and implementation. Youth will be mainstreamed in all projects with age-disaggregated data and results targets while job creation across all projects will consider specific interventions for women and youth to promote inclusive growth. The Bank will apply the fragility lens to build resilience in all its operations and promote peace-positive investment. Furthermore, the Bank will support governance reforms with a focus on governance of the mining sector to improve domestic revenue mobilization, including through strengthening of institutional capacity for tax administration and with the leadership of the Africa Legal Support Facility (ALSF) to improve revenue flows from natural resources. The Bank will prioritize support for domestic resource mobilization to counter vulnerabilities in fiscal management, including through collaboration with the IMF in strengthening the institutional capacities for effective implementation of the Medium-Term Revenue Strategy (MTRS) focusing on tax policy, administration and compliance.

5.4 Alignment with the Bank Group's TYS 2024-2033

Box 3: CSP 2025-30 Alignment with the Bank Group's TYS

CSP's strategic focus is aligned with the TYS operational priorities and cross-cutting themes. The priority areas of the CSP 2025-20are aligned with the Bank's Ten-Year Strategy 2024-2033, the High 5 priorities, and the Bank's Strategy for Addressing Fragility and Building Resilience in Africa 2022-2026. The new CSP contributes to four of the High 5s, namely Light up and power Africa, Feed Africa, Integrate Africa, and Improve the quality of life for the people of Africa. The Bank Group will invest in TYS's cross-cutting themes to promote gender equality (by mainstream gender equality in all its operations); to support youth (by integrating skills development in all its projects to boost youth employability), to strengthen economic governance and to respond to climate change while building resilience to shocks and fragility. Investments in transport infrastructure and energy will reduce the cost of doing business thus contributing to private sector development and human capital development in line with TYS objectives through improved access to social

5.5 Indicative Lending/Non-Lending Program

68 The CSP's Indicative Operations Program (IOP) 2025–2027 (s. Annex A.2.) comprises 4 sovereign operations, totalling UA 75 million (US$ 99 million). The non-lending program comprises knowledge work and demand driven advisory and technical services. Regarding Non-Sovereign Operations (NSO), a line of credit with a commercial bank will be considered to support private sector access to credit. Additionally, efforts will be made to scale up AFAWA finance including through leveraging of Bank's instruments to bolster access to finance for women led/owned SMEs. The Bank will also leverage the existing initiatives, including MUNAFA fund to deepen access to finance for SMEs especially for women and youth. Furthermore, the Bank will strengthen collaboration with other Development Partners to support de-risking of private sector investments including through financial instruments like guarantees and through technical assistance to boost access to finance for private sector.

5.6 Policy reforms and dialogue

69 Policy dialogue: The Bank will sustain regular dialogue with the Government focusing on (i) Food security through agriculture transformation (ii) governance (iii) infrastructure development in transport and water sanitation (see PRDM in Annex A.5); (iv) regional integration; (v) gender and women's empowerment; (vi) skills development and youth employment; and (vii) environment and climate change. While policy dialogue on infrastructure, agriculture and food security, transport and governance will be prioritized in line with the Bank's comparative advantage, coordination and collaboration with the other development partners will ensure effective dialogue in the remaining areas. Efforts will also be made to engage the government on how the country can benefit from the AfCFTA agreement.

5.7 Financing the strategy and monitoring and evaluation

70 Financing the strategy: The implementation of the CSP 2025-2030 spans over three ADF cycles (ADF 16, 17 and 18). The ADF 16 allocation will be UA 15 million for 2025. The country is expected to benefit from TSF Pillar III, the regional window, and other financing sources, such as Trust Funds and the non-sovereign window. The Bank will continue to work closely with other development partners in Sierra Leone including the World Bank, IMF, EU, US Government, UK Government, Germany, Ireland, China and the United Nations to co-finance some key activities during the CSP period.

71 Monitoring and evaluation: Implementation of the CSP will be aligned with the implementation arrangements of MTNDP 2024-2030 to ensure strong country ownership and sustainability. Monitoring of the implementation and achievements of results of the proposed CSP will be aligned with the Results Management Framework in the Bank's Ten-Year Strategy (TYS 2024-2033) and will use the existing MTNDP Monitoring and Evaluation (M&E) framework. Additionally, the Results-Measurement Tool (RMT) will provide the basis for monitoring and evaluation of the CSP results including from the ongoing operations inherited from CSP (2020-24). The Ministry of Finance will be the key counterpart of the Bank, while project implementation will be done by the relevant sector ministries, parastatals, the private sector and other stakeholders. The performance of the CSP will be monitored and evaluated at mid-term and at completion using the results measurement framework consisting of the strategic alignment and performance matrices (Annex A.1), complemented by the Bank diagnostics including annual CPPRs and the Policy Reform Dialogue Matrix.

5.8 Risks and Mitigation Measures

72 Potential risks in Sierra Leone that could hamper the implementation of the CSP include (i) Political risks emanating from the highly contested 2023 elections; (ii) Macroeconomic

notably debt sustainability risks, (iii) Institutional capacity and fiduciary risks; and (iv) climate change risks. External risks include (i) Commodity price shocks, and (ii) the multiple external shocks. To mitigate these risks the Bank will continue to work in close coordination with the IMF and other partners to keep a close watch on macroeconomic developments, including debt sustainability risks; undertake capacity-building through fiduciary clinics, targeted trainings and mainstreaming of capacity building in all operations; and close monitoring of mitigation measures of project risks on the environment and climate change. The details on strategy risks and mitigation measures are presented in Annex A.20.

6. CONCLUSIONS AND RECOMMENDATIONS

73 Conclusions. This Country Strategy Paper 2025-2030 for Sierra Leone builds on the conclusions and recommendations from the CSP 2020-2024 Completion Report and 2024 Country Portfolio Review. The CSP aims to support Sierra Leone's efforts in building resilience to address key drivers of fragility and achieve sustainable and inclusive growth under two priority areas: (i) *Developing sustainable infrastructure for private sector development* and *ii) Supporting agriculture value chain development for job creation and food security.*

74 Recommendations: Further to the endorsement by the Committee on Operations and Development Effectiveness (CODE) on July 2, 2025, the Boards of Directors are invited to consider and approve Bank Group's CSP 2025-2030 for Sierra Leone.

6 ANNEXES

Annex A. 1 Sierra Leonne CSP 2025-2030 Results Measurement Framework

Annex A.1.1. Strategic Alignment Matrix: *This matrix demonstrates alignment of the CSP's Priority Areas with both the Government's National Development Plan and the Bank's own priorities. It is not intended to assess performance of the Bank's support.*

Priority Area 1: Developing sustainable infrastructure for private sector development

National Development Plan	Corporate Policies
Sierra Leone Development Vision 2039: The country identifies infrastructure as a priority as it aspires to transform into an inclusive, green, middle-income nation by 2039, focusing on economic diversification, human capital development, and addressing key challenges like food security and job creation. **Medium Term National Development Plan (MTNDP 2024-30)** identifies infrastructure development as key to driving the country's transformative acceleration agenda for food security, human capital development and job creation.	**Ten-Year Strategy 2024-2033:** (i) Operational Priorities: The High 5's (i) Light up and Power Africa; (ii) Integrate Africa; (iii) Industrialize Africa; (iv) Improve the quality of life for the people of Africa (ii) Area of special emphasis: Building resilience, Gender equality and Investing in youth

Country Sector/Thematic Strategy	Bank Sector/Thematic Strategy
Sierra Leone Integrated Transport Sector Policy, Strategy and Investment Plan: Road system, and Regional Integration. **Sierra Leone Electricity Sector Reform Roadmap 2017 - 2030:** Aims at increasing access to modern energy, enhance power supply availability, reliability and affordability. **Sierra Leone Water and Sanitation Policy:** Aims to improve water service delivery, sanitation, and hygiene, focusing on sustainable water resource management, access to safe water, and community participation.	(i) **New Deal on Energy for Africa 2016-2025:** Aims at universal access to energy in Africa by 2025 focusing on scaling up access to clean energy, and improving affordability, reliability, and energy efficiency. (ii) **Regional Integration Strategic Framework 2018-2025:** focuses on regional infrastructure connectivity (iii) **Bank Group Gender Strategy 2021-2025**: Investing in Africa's women to accelerate inclusive growth. (iv) **Climate Change and Green Growth Strategic Framework: Operationalising Africa's Voice – Action Plan 2021-2025**: i) Agri-industry and strengthened value chains ii) sustainable infrastructure (v) **Private Sector Development Strategy 2021 – 2025**: i) improve the business environment; ii) facilitate access to socio-economic infrastructure; iii) promote enterprise development by focusing on supporting SME participation in value chains in high growth sectors

Country Development Results/Indicators

Indicator	Baseline (2024)	Target (2030)
Energy Infrastructure		
Increased national electricity access rate (% population)	36	60
Proportion of households connected to electricity	30	60
Transport infrastructure		
Length of National Road Network Paved (km)	953	1,100
Water Supply, Sanitation and Hygiene (WASH) Infrastructure		
Improved access to safe drinking water (% of population)	63	90
Improved access to basic sanitation (% of rural population)	33	54

Planned Bank's Interventions & Resources

Generic Areas of Interventions or Instruments	UA million
Investments:	
…of which sovereign operations	60
…of which non-sovereign operations	0
Capacity Building and Technical Assistance:	**0.0**
Knowledge Work:	**0.0**
Total	**60**

<table>
<tr><th colspan="5">Priority Area 2: Supporting agriculture value chain development for job creation and food security</th></tr>
<tr><th colspan="3">National Development Plan</th><th colspan="2">Corporate Policies</th></tr>
<tr><td colspan="3">Sierra Leone Development Vision 2039: The country spires to transform into an inclusive, green, middle-income nation by 2039, focusing on economic diversification, human capital development, and addressing key challenges like food security and job creation.

Medium Term National Development Plan (MTNDP 2024-30) focuses on the transformative acceleration agenda for food security, human capital development and job creation.</td><td colspan="2">(i) Strategy for Agricultural Transformation in Africa 2016-2025: i) investment in infrastructure, particularly energy; ii) linking production to markets; iii) strengthening processing capacity and job creation.
(ii) Bank Group Strategy for Jobs for Youth in Africa (2016- 2025): i) integration, innovation; and iii) investment.
(iii) Climate Change and Green Growth Strategic Framework: Operationalising Africa's Voice – Action Plan 2021-2025: i) Agri-industry and strengthened value chains ii) sustainable infrastructure
(iv) Private Sector Development Strategy 2021 – 2025: i) improve the business environment; ii) facilitate access to socio-economic infrastructure; iii) promote enterprise development by focusing on supporting SME participation in value chains in high growth sectors</td></tr>
<tr><th colspan="3">Country Development Results/Indicators:</th><th colspan="2">Bank's Interventions & Resources:</th></tr>
<tr><th>Indicator</th><th>Baseline (2023) *</th><th>Target (2030)</th><th>Interventions or Instruments</th><th>UA (million)</th></tr>
<tr><td colspan="3">Food security</td><td>Investment Projects</td><td>21.6</td></tr>
<tr><td rowspan="2">Percentage of population facing severe food insecurity</td><td rowspan="2">12.9</td><td rowspan="2">0</td><td>…of which sovereign investment operations</td><td>21.6</td></tr>
<tr><td>…of which non-sovereign Investment operations</td><td>0</td></tr>
<tr><td colspan="3"></td><td>…of which lines of credit</td><td>0</td></tr>
<tr><td></td><td></td><td></td><td>…of which risk guarantee</td><td>0</td></tr>
<tr><td colspan="3"></td><td></td><td></td></tr>
<tr><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td>Capacity Building and Technical Assistance:</td><td>0.2</td></tr>
<tr><td>Knowledge Work:</td><td>0.2</td></tr>
<tr><td colspan="3"></td><td>Total</td><td>22</td></tr>
</table>

Annex A.1.2. Performance Matrix: *The performance matrix measures a wide range of results that should be regularly tracked during CSP period. This does not only include operational results that will be delivered by the approved projects, but also other essential elements of the CSP including cross-cutting issues, financial leveraging, harmonization, portfolio performance, etc.*

Performance areas	Monitoring Indicators	Baseline* (2024)	Target (2030)	Source of Verification
Operational Results: Outcomes	**Priority Area 1: Developing sustainable infrastructure for private sector development**			
	Energy Infrastructure: Proportion of population with access to electricity (%) Cost of electricity (US$)	 36 22 Cents	 40 18 Cents	 IPR/PCR PCR
	Transport Infrastructure: Reduced road travel time in project areas (hours) Reduced vehicle operating cost (US$/km)	 Ihr 30 mins 52 cents	 40 minutes 39 cents	 IPR/PCR IPR/PCR
	Water Supply and Sanitation Infrastructure: Improved access to safe drinking water (% of population) Improved access to basic sanitation in the project areas (% of population)	 60 17	 80 25	 IPR/PCR IPR/PCR
	Priority Area 2: Supporting agriculture value chain development for job creation and food security			
	Food self-sufficiency and job creation: Reduced proportion of food insecure population (%) Total number of new jobs created from SAPZs Increased average yield of rice (Ton/Ha) Reduced post-harvest loses (%) Youth and women securing employment in agribusiness (at least 50% women)	 83 0 2 20% 0	 50 5,000 3.5 3% 1000	 WFP Food Security Monitoring System Reports IPR/PCR IPR/PCR IPR/PCR IPR/PCR
Operational results: Outputs	**Priority Area 1: Developing sustainable infrastructure for private sector development**			
	Energy infrastructure: Installed renewable generation capacity (MW) Built high voltage transmission lines (km) Built power distribution network (km) Built power substations	 0 0 0 0	 30 50 100 1	 PCR PCR PCR PCR
	Transport infrastructure: Construction of national road – length of newly paved roads (km)	 0	 60	 PCR
	Water Supply, Sanitation and Hygiene Infrastructure: Laying of water pipes (km) Kilometers of sewer pipes laid (km)	 0 0	 200 150	 PCR PCR
	Priority Area 2: Supporting agriculture value chain development for job creation and food security			
	Food self-sufficiency and job creation: Area of arable land irrigated (ha) Volume of rice produced (metric tons) Number of SME rice mills established (At least 50% owned by women) Number of Aggregation centers established Number of storage facilities Constructed/rehabilitated No. of farmers supported with agricultural inputs and technical services	 0 0 0 0 0 0	 5000 437,500 20 1 2 5000	 PCR PCR PCR PCR PCR PCR
Cross-Cutting Issues				
Investing in young people	Jobs created through Bank projects going to youths (direct, indirect, induced) # [by age] Enterprises supported with access to finance (#) of whom youth-led/owned Projects approved by the Board integrating youth skills and jobs (%)	0 0 0	500 20 5	PCR Reports

Performance areas	Monitoring Indicators	Baseline* (2024)	Target (2030)	Source of Verification
Environmental & Social Safeguards	Operations are fully appraised for environmental and social impacts and risks (%) Eligible operations are effectively supervised for environmental and social safeguards (%) Active portfolio projects rated at least satisfactory in terms of E&S performance (%) Eligible Operations timely submitted monthly E&S Implementation reports (%) Eligible Operations timely submitted quarterly E&S Implementation reports (%) Eligible Operations timely submitted annual Environmental and Social Performance Audits (%)	N/A	5 5 100% 100% 100% 100%	PARs IPR/PCR IPR/PCR Monthly reports Quarterly reports ESPA
Climate Change & Green Growth	Reduction in Green House Gases (% NDC target) % of lending operations that is climate-proofed Climate finance allocation (% Bank Portfolio in Sierra Leone)	N/A	10% 100% 25%	NDC Reports PARs
Gender	Women led MSMEs getting finance through AFAWA (#) Women equipped with industry/entrepreneurship skills (#)	0 0	20 200	IPR/PCR IPR/PCR
Addressing Fragility and Building Resilience	CRFA dimensions with Pressure exceeding capacity		5	Resilience and Fragility Assessment Report

* or latest

Annex A. 2: Indicative Lending and Non-Lending Program and Contribution to the High-5s

Annex A.2.1. Indicative Operational Program (IOP) 2025 – 2027

No	Indicative Operation Indicative	Indicative Year	Leading Department	Sector	Priority Area I/II	Amount UA Mn	Source of Financing	Potential Co-financers	Cofinancing Amount UA Mn
1	Rice Special Agro-Processing Zone Project	2025	AHAI.5	Agriculture	II	15	ADF	TBD	TBD
2	Rural Water Supply and Sanitation project phase II	2026	AHWS	WASH	I	20	ADF	OFID	TBD
3	Sierra Leone Rural Electricity and Access project	2026	PESD	Energy	I	20	ADF	EU	TBD
4	Upgrading of Matotoka - Yele - Bo Road	2027	PICU	Transport	I	20	ADF	ISDB	TBD
Total – Sovereign Operations						**75**			

Annex A.2.2: Alignment with TYS 2024-2033 Operational Priorities

No	Project	Sector	Window	Amount UA Mn	High 5 Priority Area	Indicative Year of Approval	Alignment with TYS 2024-2033 operational priorities
1	Rice Special Agro-Processing Zone Project	Agriculture	ADF	15	Feed Africa/Industrialize Africa	2025	**High5s:** Feed Africa/Industrialize Africa **TYS cross-cutting themes:** Promoting gender equality, investing in young people; responding to climate change and investing in climate action; building resilience to shocks and strengthening economic governance. **Readiness:** Identification done in 2024, PCN cleared in January 2025, and Appraisal scheduled for July-August 2025
2	Rural Water Supply and Sanitation project phase II	WASH	ADF	20	Improve the quality of life for the people of Africa	2026	**High5s:** Improve the quality of life for the people of Africa **TYS cross-cutting themes:** Promoting gender equality, investing in young people; responding to climate change and investing in climate action; and building resilience to shocks. **Readiness**: Identification expected in Q1 2026
3	Sierra Leone Rural Electricity and Access project	Energy	ADF	20	Light Up and Power Africa	2026	**High5s: Light Up and Power Africa** **TYS cross-cutting themes:** Promoting gender equality, investing in young people; responding to climate change and investing in climate action; and building resilience to shocks. **Readiness:** Project Preparation Facility (PPF) funding secured in 2024 for studies and designs
4	Upgrading of Matotoka - Yele - Bo Road	Transport	ADF	20	Integrate Africa	2027	**High5s:** Integrate Africa **TYS cross-cutting themes:** Promoting gender equality,

No	Project	Sector	Window	Amount UA Mn	High 5 Priority Area	Indicative Year of Approval	Alignment with TYS 2024-2033 operational priorities
							investing in young people; responding to climate change and investing in climate action; and building resilience to shocks. **Readiness**: Identification scheduled for 2026 Q3.
	Total – Sovereign Operations			**75**			

Annex A.2.3: Indicative Non-Lending Pipeline (2025-2030)

Indicative tittle	Indicative timeline	Type	CSP Priority Area	Associated High 5
Technical assistance to the Ministry of Finance on "Policy Options to Restore Macroeconomic Stability Focusing on Inflation and Exchange Rate Management	2026	Technical Assistance	I&II	All High 5s
Private Sector Diagnostic Study	2025	ESW	I&II	All High 5s
Annual fiduciary clinics to government officials	2025-2030	Capacity Building	I&II	All High 5s
Occasional advisory services to government on diverse developmental issues	2025-2030	Advisory Services	I&II	All High 5s

Annex A.2.4: Contribution of the Indicative Lending/Non-Lending Program to the High-5s

High 5 Strategic Priority	Outputs targeted by 2030	Outcomes targeted by 2030
Light up and power Africa - Increase the share of renewable energy in Sierra Leone's energy mix to enhance sustainability. - Enhance energy efficiency and affordability	• 30MW added to the installed renewable generation capacity • 50km of high voltage transmission lines built • 100km of power distribution network built • 1 power substation built	• Proportion of the population with access to electricity increased from 36% to 40% • Cost of electricity reduced from US$ 22 cents to 18 cents
Feed Africa - Strengthen agricultural value chains. - Enhance production and productivity. - Improve nutrition and food security.	• 5000 ha of arable land irrigated • 437,500 metric tons of rice produced • 2 Storage facilities constructed/rehabilitated • 1 Aggregation center established • 5000 Farmers supported with agricultural inputs and technical services	• Proportion of food insecure population reduced 83% to 50% • Post-harvest losses reduced from 20% to 3%
Integrate Africa - Strengthen regional infrastructure connectivity. - Enhance competitiveness	• 60km of newly paved road constructed	• Road trave time reduced road in project areas from 1hr 30mins to 40minutes • Vehicle operating cost (US$/km) reduced from 52 cents to 39 cents
Industrialize Africa - Support enterprise development –special agro-industrial processing zones	• 20 SME rice mills established (50% owned by women)	• 5000 new jobs created from SAPZs (50% women)
Improve the quality of life for the people of Africa - Improve access to water and sanitation services - Increase employment and earning opportunities	• 200km of water pipes laid • 150 kilometers of sewer pipes laid • 20 Enterprises supported with access to finance – of which 10 are youth-led/owned • 20 Women led MSMEs getting finance through AFAWA • 200 Women equipped with industry/entrepreneurship skills	• Access to safe drinking water increased from 60% of population to 80% of population • Access to basic sanitation in the project areas increased from 17% of population to 25% of population • Number youth and women securing employment in agribusiness (at least 50% women) - 1000

Annex A.2.5: Selected Strategic Priorities within the High 5s

Strategic priorities	Selected priority	Contribution to the other High 5s
1 **Light up and power Africa**		
1.1 Increase utility-scale renewable energy	√	2 3 4 5
1.2 Strengthen transmission and distribution systems	√	3 4 5
1.3 Scale up decentralized renewable energy solutions	√	2 5
1.4 Strengthen the sustainability of sector and power utilities, and enhance energy efficiency	√	2 3 4 5
1.5 Strategically support Africa's natural gas sector where it facilitates the transition to clean energy and promotes climate adaptation and climate resilience		3 4
2 **Feed Africa**		
2.1 Strengthen agricultural value chains	√	5
2.2 Scale up successful technologies		3 4 5
2.3 Improve nutrition and food security	√	5
2.4 Enhance regional and national R&D institutions		3 4 5
3 Industrialise Africa		
3.1 Enhance industry value chains	√	2 4 5
3.2 Support enterprise development	√	4 5
4 Integrate Africa		
4.1 Strengthen regional infrastructure connectivity	√	1 2 3 5
4.2 Improve the regional environment for market integration	√	2 3
4.3 Deepen Africa's financial integration		3
5 Improve the quality of life of the people of Africa		
5.1 Accelerate access to finance for women and youth	√	2
5.2 Build skills for jobs and expand economic opportunities for youth	√	1 2 3 4
5.3 Develop quality healthcare infrastructure		2 3
5.4 Support integrated water resource management and expand water supply, sanitation, and hygiene services	√	1 2 3 4
Total number of strategic priorities selected	**13**	

Annex A. 3: Key findings of the CSP 2020-2024 Completion Report

1. **The Bank's CSP 2020-2024 for Sierra Leone was approved by the Board of Executive Directors in September 2020**, with the overall objective to tackle key drivers of fragility and to strengthen the country's resilience, anchored on two priority areas: (i) enhancing access to quality infrastructure facilities and (ii) supporting inclusive growth and job creation through private sector development. The CSP mid-term review was approved in November 2022, reaffirming the relevance of the pillars, while noting satisfactory performance of the Bank's portfolio in Sierra Leone.

2. **The CSP was implemented in the context of multiple shocks and volatilities in economic performance.** The economy recovered from the recession caused by the COVID-19 pandemic, but growth performance has been volatile because of multiple shocks and domestic constraints.

3. **Portfolio performance was satisfactory, with no flagged operation for the past three years, and notable results were recorded during CSP implementation**. All the 13 targeted outputs (100%) were achieved, while 8 of the envisaged 9 outcomes (88%) were achieved. Notable results during CSP implementation include improved access to water and sanitation services, increased access to electricity, reduced travel time and cost, reduced internal arrears and improved performance in public procurement.

4. Several lessons have been drawn from the implementation of CSP 2020-2024. At the ***strategic level***, the focus on supporting private sector SMEs, particularly those in agro-industrial value chains may help accelerate the transition to a more inclusive and less fragile Sierra Leone. Consequently, during the new CSP period (2025-2030), the Bank will support agro-industrial development with emphasis on SMEs in the agro-industry to foster inclusive growth and job creation. At the ***operational level***, one of the key lessons from the expiring CSP is that prioritizing targeted training on Bank rules and procedures leads to better outcome on the portfolio health. The Bank will therefore continue to focus on targeted training for PIUs for faster project implementation. Furthermore, the Evaluation by the Bank's Independent Evaluations Department (IDEV) of the Bank Group's programming in Sierra Leone between 2013 and 2023 noted that the objectives and pillars of the CSPs were fully aligned with Sierra Leone's development strategies and Bank's priorities and tackled key drivers of fragility but noted the need to align ambition with resource availability and strengthen the country presence of task managers. In response to this finding, the Bank will focus on fewer but more transformative operations in the new CSP. The evaluation also noted the need to generate knowledge products for effective policy dialogue and to inform the design of new interventions. Consequently, the Bank plans to conduct a Private Sector Diagnostic Study to anchor its support to the private sector. Lastly, guidance from the Bank's Boards of Executive Directors provided useful lessons for Management. In particular, the Report of the Bank's Executive Directors visit to Sierra Leone in 2024 provided useful guidance particularly on the need to focus on private sector development in the new CSP.

5. **Sierra Leone's development challenges have not changed.** The Bank's Country Diagnostic Note (CDN) as well as the Resilience and Fragility Assessment for Sierra Leone, notes that the country's overarching development challenges and drivers of fragility have not changed. The main structural drivers of fragility include severe infrastructure deficit, low human capital development, a private sector straddled by informality and limited value addition, weak governance and institutional capacity, macroeconomic imbalance and vulnerability to climate change.

Annex A. 4: Interaction with the Board/CODE Guidance

CODE Members Comments	Responses/Action taken/ Action to be taken under new CSP
General: CODE commended the Management for the quality and comprehensiveness of the report presented. Members noted the good portfolio performance with no flagged operations, and the fact that most of the output and outcome targets were achieved.	Management appreciated the compliments and noted the comments.
Context: CODE provided guidance to finetune the reporting on the country context, including the developments on political situation, economic prospects and outlook, as well as governance developments in the country to reflect persisting challenges.	Management appreciated the comments. The reporting on the political context in the new CSP document has been finetuned to reflect the developments following the 2023 main elections. Also, the economic context has been updated based on the most recent statistics and analysis – with notable highlights that the positive real GDP growth outlook is subject to significant downside risks related to prolonged multiple shocks, tight global financial conditions, climate change vulnerabilities and high inflation. Also, the updates on governance highlight some of the outstanding challenges and singles out corruption as a persistent challenge that needs to be addressed. It is noted that the Bank's Country Policy and Institutional Assessment (CPIA) governance score has hovered around 3.4 since 2020 with minimal improvement in transparency, accountability and corruption in the public sector
Development Assistance: CODE noted the need to reflect the recent developments, including the freezing of development assistance by USA, and impact on debt sustainability, and potential implication on the Bank support to the country – including the utilization of the ADF Grant Compensation Mechanism	Management appreciated the comments. The information has been provided, highlighting the fact that the recent aid freeze by the USA will result in more pressure on Sierra Leone's limited fiscal space exacerbated by low revenue effort. Sierra Leone's risk of debt distress remains high because of unfavorable debt service to revenue ratio. Therefore, scaling up domestic revenue mobilization is key to addressing the country's debt vulnerabilities. Aid freeze by the USA will reduce ODA inflow particularly to the country's health and education sectors. However, the potential impact of aid freeze on co-financing of the Bank's operations will be minimal since most of USAID support to Sierra Leone is off budget.

Donor Coordination: CODE noted the need to sustain coordination and collaboration with the IMF in monitoring the country's debt sustainability given Sierra Leone's debt profile – assessed as high risk of debt distress.	Management appreciated the comments The Bank maintains regular dialogue and continues to work in close coordination with other development partners including the IMF to monitor political and economic risks including debt sustainability risk. The Bank also collaborates closely with the IMF through IMF Letter of Comfort, to ensure adherence to the required thresholds of grant element in project financing to mitigate debt sustainability risks particularly when the projects are co-financed with partners who provide loans to the government.
SME access to finance: CODED noted the need to leverage the existing initiatives to support finance to SMEs, especially the MUNAFA fund.	Management appreciated the comments. The Bank recognizes the government's efforts to promote access to finance for SMEs including the vulnerable groups through MUNAFA fund. In implementing the CSP (2025-2030) the Bank will leverage the existing initiatives, including MUNAFA fund, to support finance to SMEs especially for women and youth, and scale up AFAWA finance including through leveraging of Bank's instruments to bolster access to finance for women led/owned SMEs in agro-industry.
Domestic revenue mobilization: CODED noted the need for efforts to support domestic revenue mobilization, including possible support through ALSF to help the country mobilize more revenues from the mining sector.	Management appreciated the comments. The Bank will support efforts to improve domestic revenue mobilization, including through Africa Legal Support Facility (ALSF) to improve revenue flows from natural resources and contribute to strengthening of economic governance.
Regional integration: CODE noted the need for Regional Integration focus in infrastructure operations	Management appreciated the comments. The Bank support in transport and energy infrastructure will contribute to among other things, boosting regional integration. The Bank support in transport sector will focus on the expansion of road network to reduce the road transport costs and lead to reduction in the cost of doing business for the private sector, and boost regional integration.
Gender equality: CODE observed that, considering the country's low rank in the Gender Inequality index (157th out of 166 countries), it is important to highlight the Bank's contribution to addressing the gender inequality challenge.	Management appreciated the comments. The Bank will continue to leverage its operations in Sierra Leone in contributing to reduce gender inequality. Each Bank project will continue to undergo a gender marker assessment to inform gender mainstreaming in project design and implementation. Youth will be mainstreamed in all projects with age-disaggregated data and results targets while job creation across all projects will consider specific interventions for women and youth to promote inclusive growth to scale up AFAWA finance including through leveraging of Bank's instruments to bolster access to finance for women

	led/owned SMEs in agro-industry The poor score on gender inequality is explained by the fact that, up to 95% of women in Sierra Leone are self-employed and in vulnerable occupations compared to 85% of men. The dominance of women in the self-employed/informal sector with poor working conditions, low salaries without social protection exposes them to exploitation and increases their vulnerability to poverty
Private sector: CODE emphasized the need to clearly indicate measures to support private sector development in the country.	Management appreciated the comments. The Bank support will focus on the expansion of sustainable and environmentally resilient national road network to reduce the cost of road transport and doing business for the private sector, particularly targeting SMEs. Under Priority Area II, the Bank will support agro-industrial development with emphasis on SMEs in the agro-industry to foster inclusive growth and job creation. Women and youth led agro-focused SMEs will be prioritized to ensure food security and foster export in line with the government's agenda of Feed Sierra Leone. Additionally, the Bank will support the private sector through a robust non-lending program consisting of analytics, aid coordination, policy dialogue, advisory services, and grant-funded technical assistance. One key study scheduled for 2025 is the ***"Private Sector Diagnostics Study"*** which will better inform the Bank's interventions in the private sector, particularly to support SMEs involved in the agro-industrial value chain development.
Energy sector: CODE noted the need to identify opportunities to contribute to addressing the issue of power affordability in the context of recent increase in power tariffs in Sierra Leone. The country continues to face the problem of power affordability despite increase in access to power.	Management appreciated the comments. The envisaged investments in the power sector and increased power supply will have the ultimate long-term effect of reducing tariffs. Sierra Leone expressed interest to participate in the second cohort of beneficiaries of Mission 300 energy summit concluded in Dar es Salaam in January 2025. With this inclusion, the country is expected to harness the opportunities presented by Mission 300 to deliver transformative energy solutions for its citizens, focusing on **affordability** and reliability.

Annex A. 5: Sierra Leone Policy Reform Dialogue Matrix

SIERRA LEONE POLICY REFORM DIALOGUE MATRIX									
Reform/Activity supported	GCI-VII and/or ADF-15 high-level commitment (for ADF-15 commitments indicate pillars plus objective and objective code)	High-5(s) supported	Technical Bank department(s) in charge	Expected timeline for completion of reform(s)	Key expected results and timelines	Support Instrument (PBO/RBF/Investment Project/ISP/ESW/TA/etc.)	ESW/TA required ? (title/purpose, cost secured/not secured, timelines)	Status/progress & Key Milestones achieved	Comments
Water and Sanitation									
Water and sanitation sector strategy reform	Pillar I: Sustainable and Quality Infrastructure for Economic Transformation Objective: Strengthen operations engaging in effective policy dialogue in the water sector and strengthen RMC capacity (W1, W2)	Improve the Quality of Life for the people of Africa	AHWS	2025	(3) Access to improved sanitation increased from 16 % in 2019 to 60 % in 2025.	Technical Assistance	Yes, Country Water and Sanitation Sector Profile under Preparation	Strategy reform adopted in December 2022	Develop a new water and sanitation sector strategy to address the sector development constraints.

Transport									
Improving sustainability of infrastructure projects	Priority Area 1: Sustainable infrastructure for private sector development	Integrate Africa	PICU	2030	Develop long-term funding strategies for road maintenance	Technical Assistance	No	Ongoing	Develop long term funding strategies for road maintenance to reduce reliance on unpredictable budgetary allocations.
Governance									
Strengthening Debt Management	Cross-Cutting Objective: promote effective and efficient public debt management operations and practices through improved institutional frameworks, enhanced debt transparency	Improve the Quality of Life for People of Africa	ECGF	2027	- review of legal and operational tools for effective public debt management - Strengthen system for public debt management recording and reporting -	Technical Assistance	No	Ongoing	The project was completed. Most of reforms were implemented.

Annex A. 6: Active Portfolio as of June 2025

No	Project Code	Project name	Finance window	Approval date	Closing date	Loan / Grant amount in MAC	Disbursement rate %	Project age	Cofinance window	Cofinance amount (in MAC)	Total cost
Water and Sanitation											
1	P-SL-E00-004	Freetown Wash & Aqua Env. Revamping Project	ADF	12/5/2018	6/30/2026	10	65.25	6.10	KF, OFID,CAW, GCF	44.02	54.02
Sub total Water and Sanitation						**10**		**6.10**		**44.02**	**54.02**
Energy											
2	P-SL-F00-007	Bo And Kenema Dist. Sys Rehab and Expansion	ADF	12/16/2016	06/31/2025	9.31	96.4	8.3	FCDO	25.7	35.01
3	P-Z1-F00-058	Sierra Loene Rural Electrification & Access Project-ADF PPF	ADF PPF	10/8/2024	03/31/2026	2.5	0	0.5	-	-	2.5
Sub totalotal Energy						**11.81**		**4.4**		**25.7**	**37.51**
Agriculture											
4	P-SL-AA0-019	Agribusiness and Rice Value Chain Support	ADF	7/17/2019	12/31/2025	7.99	89.95	5.3			7.99
5	P-SL-AA0-021	Rice Agro Industries Clusters	ADF	11/12/2021	12/31/2029	21.17	41.5	3.3			21.17
Sub total Agriculture						**29.19**		**4.3**			**29.19**
Multi Sector- Institutional Support											
6	P-SL-KF0-013	Strengthening Public Debt Management Efficiency	ADF	4/14/2023	4/30/2026	1.00	45.95	2			1.00
7	P-SL-I00-011	Job Creation for Youth and Women in Climate Smart Agriculture	TSF I	6/24/2024	12/31/2029	15.00	0	0.8			15.00
Subtotal Multisector						**16.00**		**1.04**			**16.00**
Multinationals											
8	P-Z1-DB0-143	MRU - Road Development and Transport Facilitation Ph. III	ADF	25/03/2022	12/31/2025	24.73	21.9	3			24.73
9	P-SL-DBO-258	MRU - Road Development and Transport Facilitation Ph. IV	ADF	12/13/2023	12/31/2027	30	0	1.3			30.00
10	P-Z1-KZ0-031	Post Ebola Recovery Social Investment Fund (PERSIF)	ADF	09/17/2019	12/30/2025	9	82.13	5.6	RWSSI	0.82	9.82
11	P-Z1-HB0-071	Digitization of Government Payments in MRU- SL	ADF	11/25/2019	06/30/2025	0.3	97	4.4			0.30
12	P-Z1-ID0-009	Building Inclusive Business Ecosystems for Stabilization & Transformation in the Mano River Union (BI-BEST)	TSF III	11/22/2021	06/30/2025	2.98	34.07	3.4	-	-	2.98
Total Multisector						**67.01**		**5.07**		**0.82**	**67.8**
Grand total						**134**	**45**	**4.34**		**70.54**	**204.5**

Annex A. 7: Country Portfolio Improvement Plan (CPIP)

Annex 6a: Implementation status of the 2023 Country Portfolio Improvement Plan

Issues affecting portfolio quality and performance	Recommended actions	Monitoring indicators	Responsible Institution	Timeline	Achievement/Status	Comments
PROJECT IMPLEMENTATION AND MANAGEMENT						
Delays in the submission and clearance of annual work plans and budget (AWPB) and procurement plans (PP)	All AWPB and PP should be submitted to the Bank by 30 November 2023 All AWPB and PP should be cleared by the Bank by 31 December 2023	Draft AWPB/PP for each project Cleared AWPB/PP for each project	Project Coordinators / Managers Task Managers	30 Nov. 2023 31 Dec. 2023	Achieved	All AWPB/PP have been cleared but not within the prescribed timelines
Inadequate understanding of Bank procedures by project staff which stifles project implementation	Organize capacity building for project staff in the identified arears (E&S, Gender, Climate Change and Green growth, Fiduciary clinics)	Number of Capacity building workshops organized for project staff in all the identified areas	AfDB	Continuous	Achieved	Fiduciary Clinics have been organized for new projects but will be organized for all projects in Q3 as well as other trainings
Long turnaround times in the replacement of project staff	Ensure timely replacement of Key project staff to avoid implementation delays	A maximum of 3 months turnaround time in the replacement of project staff	Sector Ministries	Continuous	Achieved	Procurement officer of GVWC stepped in to provide support while waiting for a decision to recruit a procurement officer
Inadequate support from Project Steering Committees	Ensure all SC meet at least twice a year to clear AWPB/PP and follow up on project implementation	Minutes of SC meetings	PIUs / EAs to follow up with the SC chair	Continuous	Achieved	Almost all project organized Steering committee meetings to clear the draft AWPB/PP
PROCUREMENT						
Poor contract management resulting in the expiration of advanced payment guarantees (APG) hence disbursement delays	Closely monitor contract execution using a contract register, and flag any arising issues of concern to both parties (Contractor, PIU/EA). Continuous training of project staff	Monthly reports on contract execution highlighting arising issues for timely intervention No. of trainings organized	PIU's / EAs AfDB	Continuous	Achieved	Contracts are not paid because some have to be amended before payment
Cost overruns resulting from implementation delays and changes in exchange rates	Moving forward, denominate all contracts in foreign currency Proper and realistic designs including BOQs are developed with price and physical contingencies included	Contract denomination Number of contract amendment requests relating to price submitted for clearance	PIU's/EA's PIU's/EA's	Continuous	Achieved	No observed cases of cost overruns so far

Issues affecting portfolio quality and performance	Recommended actions	Monitoring indicators	Responsible Institution	Timeline	Achievement/Status	Comments
Poor record management that makes auditing difficult	Train PIU / EA staff on record management and follow up on records filing	Number of trainings conducted	AfDB	Continuous	In progress	Contract management trainings will be conducted in the course of the year
FINANCIAL MANAGEMENT AND DISBURSEMENT						
Delays in the processing of Disbursement requests and special account justification	Ensure timely clearance by MoF of disbursement requests and SA justifications Comply with MoF checklist and Bank checklist Track DA through WhatsApp groups of all stakeholders Ensure timely processing of disbursement requests and SA justifications by the Bank	Turnaround time of 5 working days for processing of disbursement requests and special account justifications by MoF Disbursement requests processed within the stipulated turnaround time (14 days for disbursement requests and 1 month for replenishment of special accounts	MoF PIU / EA PIU / EA AfDB	Continuous Continuous	Achieved Partially achieved	Delays in processing disbursement requests / withdrawal applications still observed at the level of the Ministry of Finance for some projects Delays due to internal processes at the Ministry of Finance (set thresholds) Slight improvement at Bank level but delays in uploading contracts in the system as well as in processing disbursement applications for Energy sector.
Delays in the justification of special account balances	Ensure all special accounts are justified every 3 - 4 months irrespective of whether utilization is up to 50% by PIUs/EA and IPs	No notification of pending account justification in the Bank system at any given moment	PIUs/EAs	Continuous	Achieved	All special accounts are justified in a timely manner
Delays or non - payment of government counterpart contribution	Ensure that CF is budgeted for projects with provision for in - cash CF, and requests made for timely release of these funds.	Amount of CF provision in the annual Budget Request letters for disbursement of CF	MoF / Sector Ministries / PIUs / EAs	Continuous (national budgets)	Achieved	There are no delays in energy, transport and Water and sanitation sectors, but progress has been slow in agriculture sector.
CROSS CUTTING ISSUES (GENDER AND E&S)						
Delays in acquiring SL EPA permits	EA agency should engage MoF early enough to ensure payment of permit where there is provision of Counterpart funding for payment of this license.	EPA license permits within one month of application	Sector Ministries /EA	continuous	Partially achieved	Application for licenses have been submitted timely, but for agriculture sector projects payments by the government were delayed. Energy and WASH sectors

Issues affecting portfolio quality and performance	Recommended actions	Monitoring indicators	Responsible Institution	Timeline	Achievement/Status	Comments
						are up to date with payments (effected by MoF)

Annex 6b: Sierra Leone 2024 Country Portfolio Improvement Plan (CPIP)

Issues affecting portfolio quality and performance	Recommended actions	Monitoring indicators	Responsible Institution	Timeline
PROJECT IMPLEMENTATION AND MANAGEMENT				
Delays in the submission and clearance of annual work plans and budget (AWPB) and procurement plans (PP)	All AWPB and PP should be submitted to the Bank by 30 November 2024 All AWPB and PP should be cleared by the Bank by 31 December 2024	Draft AWPB/PP for each project Cleared AWPB/PP for each project	Project Coordinators / Managers Task Managers	31 Dec. 2024
Challenges in developing questionnaires using the RASME tool and geo-mapping projects	All projects should develop M&E questionnaires and where applicable geo – map their projects using the RASME (Remote Appraisal, Supervision, Monitoring and Evaluation) tool	Adoption of RASME tool in project monitoring	PIUs/EA	December 2024
PROCUREMENT				
Delays in granting No objection to procurement documents	Process all requests for No Objection within the timelines set by the Bank (10 working days)	No Objection requests are granted within 10 days maximum	AfDB	Continuous
Delays in uploading contracts in SAP by the Bank	Task Managers to have contracts uploaded as soon as they are signed	All contracts uploaded in SAP within 10 working days of signature	AfDB	Continuous
FINANCIAL MANAGEMENT AND DISBURSEMENT				
Delays in the processing of Disbursement requests and special account justification	Ensure timely clearance by MoF of disbursement requests and SA justifications Ensure timely processing of disbursement requests and SA justifications by the Bank PIUs/ EAs to ensure compliance with the check lists and AfDB	Turnaround time of 10 working days for processing of disbursement requests and special account justifications by MoF Disbursement requests processed within the stipulated turnaround time (14 days for disbursement requests and 1 month for replenishment of special accounts Drop in number of rejected disbursement requests at the level of the government and the	MoF AfDB PIUs/ EAs	Continuous Continuous Continuous

Issues affecting portfolio quality and performance	Recommended actions	Monitoring indicators	Responsible Institution	Timeline
		Bank		
Inappropriate management of special accounts	Train project accountants and FM officers on Bank guidelines in the management of special accounts	Drop in number of SA justifications rejected for ineligibility	AfDB/MoF	30/06/2024
OTHER CHALLENGES				
Delays or non - payment of government counterpart contribution which affects payment of compensation to PAPs and acquisition of ESHIA licenses	Ensure that government counterpart contribution is budgeted for projects with provision for in - cash counterpart contribution, and requests made for timely release of these funds	Amount of in - cash government counterpart contribution in the annual Budget Request letters for disbursement of government counterpart contribution	MoF / Sector Ministries / EA PIUs / EAs	31/12/2024 Continuous
Delays in the obtaining Environmental Protection Agency (EPA) licenses for category I projects	Sector Ministries to follow up payment by MoF to EPA	EPA certificates are obtained within 6 months of initiation of the process	EPA	Continuous

Annex A. 8 Sierra Leone Portfolio Key Performance Indicators 2020- 2024

Performance Indicators	2020	2021	2022	2023	2024	Bank target
Bank Commitment (UA M)	109.43	97.16	107.85	90.51	133.01	n.a
Average Project Size including co-financing (UA M)	13.6	12.9	10.74	12.6	17.6	n.a
Ageing projects (#)	0	1	2	3	3	0
Average age of active portfolio (Yrs.)	3.3	4.18	4.4	4.17	4.3	n.a
Average time elapsed from approval to signature (months)		2	2	1.8	2	<3
Average time elapsed from approval to 1st disbursement (months)		5	8	9.9	>6	<6
Commitment at Risk (CAR) (%)	17.8	8.4	0	0	18.6	0
Projects at Risk (PAR) (#)	2	2	0	0	1	0
Overall Disbursement Rate (%)	51.2	48.8%	51%	45%	40%	>50%
Cancellable projects (#)	3	1	1	3	1	0
Projects Managed from COSL (%)	64	48.8	14	29	50	n.a
Implementation Progress (IP)	2.86	3.0	3.21	3.31	3	4
Development Objective (DO)	2.97	2.98	3.19	3.29	3.13	4
Overall rating (IPR 1-4)	2.91	2.99	3.22	3.12	3.08	4
Proportion of flagged projects in the portfolio (%) for national projects		16	25%	0%	0*	<20%

* The percentage of flagged projects is 0 on the Sierra Leone portfolio Dashboard.
However, there are 2 multinational projects that are flagged but are not on the Sierra Leone dashboard.
These are the MRU RDTF phase III and the DIGIGOV projects

Annex A. 9: Summary of IDEV's Evaluation of the Country Strategy and Program (2013-2023) in Sierra Leone.

IDEV's evaluation of the Bank's country strategy and program in Sierra Leone for the period 2013-2023 found the Bank's support to be relevant and responsive to the country's development priorities. The evaluation provided detailed lessons on the relevance and coherence of Bank assistance, effectiveness and sustainability of development results to inform the Bank's engagement in Sierra Leone.

The evaluation found that the Bank's support is coherent and sufficiently coordinated with the interventions by other Development Partners, but there are gaps in dialogue. Coherence of the Bank's support to Sierra Leone was found to be satisfactory, benefiting from the use of lessons and complementarity with new projects. Also, the Bank's support demonstrated strong coordination and harmonization with other development partners across sectors, particularly in economic governance and infrastructure. In infrastructure, AfDB interventions generally aligned well with other DPs as demonstrated by joint implementation and co-financing of projects. However, absence of AfDB in-country specialists for all major sectors during part of the evaluation period was found to hinder visibility, collaboration with DPs and engagement in dialogue.

The effectiveness of Bank's support was found satisfactory for infrastructure, with most of the expected outputs and outcomes were achieved across energy, transport and WASH sectors. The AfDB was found to have contributed to improvements in national development objectives, though progress did not always meet CSP targets. CSP results were significantly undermined by the impacts of major crises including Ebola in 2014 and COVID-19 in 2020 and unrealized funding. The effectiveness of agriculture and PSD interventions in Sierra Leone was negatively affected by delays, a late start of key agricultural projects, and the ineffectiveness of PSD interventions. The effect of the Bank's contribution to enabling the private sector to play its catalytic role in economic transformation and inclusive growth was found to be limited due to the absence of a coordinated strategic approach and challenging implementation context for the private sector. Additionally, sustainability of the Bank's interventions is undermined by weaknesses in institutional capacity and lack of funding for maintenance.

The following lessons emerge from the evaluation: (1) to promote private sector development in transition contexts, having a coherent, targeted, realistic and adequately resourced country level strategy is crucial (2) realistic planning supported by adequate human and financial resources is essential for operationalizing strategies in transition countries (3) Robust designs and implementation arrangements are critical for enhancing the relevance, coherence and sustainability of interventions (4) adaptation and flexibility are a pre-requisite in volatile and transition environments, and (5) achieving meaningful results in cross cutting issues requires sound analysis, resourcing and consistent engagement across the project cycle.

The evaluation makes the following recommendations: (1) Support Sierra Leone in making a successful transition by focusing the Bank's strategy and program on addressing the remaining drivers of fragility and building resilience, while applying greater selectivity (2) improve implementation performance and enhance the institutional and financial sustainability of interventions by reinforcing capacity building and institutional strengthening activities, and (3) achieve more transformative change by strengthening the quality of integration of cross cutting issues across the project cycle.

Annex A. 10 Findings of the Stakeholders' Consultations

Stakeholders' consultations were held from 29 April to 10 May 2024, involving a multidisciplinary team from the African Development Bank, the Government of Sierra Leone Ministries, Departments and Agencies, Development Partners, Private Sector and other non-state actors including Civil Society. The consultations were held in the context of a joint mission for CSP 2020-24 completion, the 2024 Country Portfolio Performance (CPPR) and preparation of the new CSP 2025-2030. The joint mission outlined lessons from the implementation of CSP 2020-24 and recommended the strategic focus for new CSP 2025-30, including the initial indicative operations pipeline. The findings of the stakeholder's consultation are summarized below:

Government Authorities
○ Achieving the objectives of Sierra Leone's MTNDP 2024-2030 will require significant investment in infrastructure to address the existing gaps. Therefore, the Bank should continue to focus on infrastructure development especially transport and energy. ○ Sierra Leone continues to face food insecurity, but the country has huge agriculture potential. The Bank should continue its support in agriculture value chain development to build on the gains made in the previous years. ○ Sierra Leone is heavily dependent on natural resources and climate sensitive sectors. Therefore, support to the sustainable management of natural resources is paramount for the country's development ambitions. ○ Development Partners should adopt a holistic approach to capacity and institutional development, to maximize synergies, eliminate fragmentation of support, and to facilitate linkage to the core development areas.
Development Partners
○ The Bank's focus on infrastructure development particularly in transport and energy and support to agriculture value chain development is consistent with the country's most binding constraints ○ Coordination of interventions among development partners will maximize synergies, reduce duplications, and maximize development impact in the country. ○ Opportunities for co-financing and collaboration exist and should be harnessed
Private Sector and Civil Society
○ The Bank's focus on infrastructure development remains relevant considering the existing infrastructure gaps in all key sectors in Sierra Leone – notably energy, transport and water and sanitation ○ Dissemination of information about the Bank's different financing instruments will provide an opportunity for greater engagement of private sector ○ The development impact of Bank support will be enhanced by ensuring that operations provide integrated development solutions ○ Consider more collaboration with civil society organizations and other local institutions including in knowledge work

Annex A. 11 Summary of Findings and Recommendations of the ED's visit to Sierra Leone

Sierra Leone continues to face structural challenges that impede its economic growth, particularly in the areas of private sector development, macroeconomic stability, and infrastructure. To drive sustainable development and economic growth in Sierra Leone, coordinated efforts between the Bank Group and the Government are essential. While the Bank Group can play a key role in providing financial support, fostering stakeholder collaboration, and offering technical expertise, the Government's focus should be on creating an enabling environment through regulatory reforms, infrastructure improvements, and strengthened institutional capacity and governance. Together, both entities can work towards achieving policy coherence, enhancing public-private partnerships, and improving the overall business climate as detailed in the matrix below.

Activity Area	Difficulties / Weakness	Recommendations / Proposals
Actions for the Bank Group		
Access to Finance	High interest rates and limited access to funding for SMEs.	The Bank should encourage wholesale lending strategies to commercial banks at lower rates specifically targeting SMEs. Create risk-sharing or guarantee funds to support banks in lending to SMEs.
Private Sector Engagement	Low competitiveness of the private sector due to high costs and a difficult business environment.	Support the implementation of tax reforms, provide technical assistance to reduce the cost of doing business, and improve the investment climate for local businesses.
Stakeholder Collaboration	Limited collaboration with civil society and the private sector.	Facilitate multi-stakeholder platforms to enhance dialogue between Government, private sector, and civil society. Focus on improving transparency and trust between these entities.
Social Issues	High youth unemployment and food insecurity.	Fund programs that target vocational training and capacity building linked to market needs (e.g., agriculture), with specific focus on youth employment and skills development.

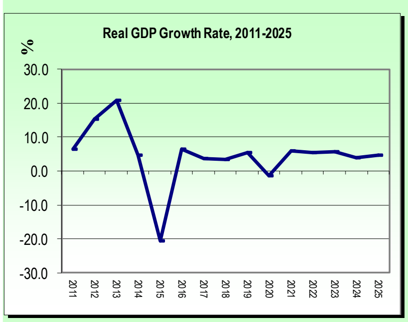
Actions for the Government		
Infrastructure Development	Poor road conditions and inadequate transportation networks.	Prioritize investment in key infrastructure projects to improve transport connectivity. Focus on enhancing the capacity of local construction firms through public-private partnerships (PPPs).
Regulatory Environment	Complex regulations hindering business registration and land acquisition.	Simplify and streamline business registration and land acquisition processes. Ensure a transparent and consistent regulatory environment to facilitate private sector growth.
Social Issues	Rising social vulnerabilities, including drug abuse among youth.	Launch national awareness campaigns and rehabilitation programs targeting youth, focusing on prevention and support services.
Revenue Mobilization	Low revenue generation and fiscal instability.	Implement revenue-enhancing reforms, such as broadening the tax base, adequately taxing the mining sector, improving tax compliance, and reducing the share of debt service. Integrate digital systems for better tax administration.
Private Sector Environment	Lack of competitiveness, trust issues, and regulatory challenges.	Foster a more conducive business environment through legal reforms, improving land laws, and addressing issues with business registration and property rights. Create tax incentives for SMEs.
Joint Actions for the Bank and Government		
Public-Private Partnerships (PPPs)	Limited capacity to engage the private sector.	Collaborate to develop PPP frameworks to attract private sector investments, especially in infrastructure, agriculture, and other high-priority sectors.
Business Environment	Poor business climate and low investment attraction.	Work together to simplify business regulations, foster transparency in procurement, and reduce bureaucratic bottlenecks to improve the ease of doing business. Support SMEs with access to financing and market opportunities.

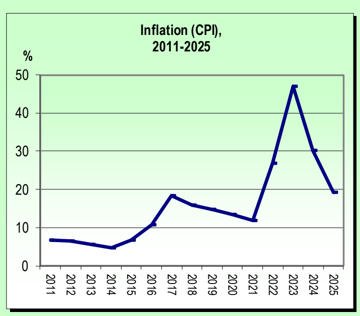
Annex A. 12: IMF Program

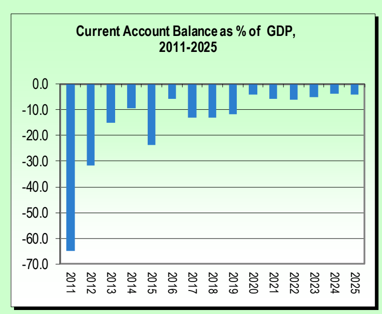
On 31st October 2024, the Executive Board of the International Monetary Fund (IMF) concluded 2024 Article IV Consultation with Sierra Leone, and a 38-month arrangement under the Extended Credit Facility (ECF), in the amount of SDR 186.663 million (about US$248.5 million) to support economic policies and reforms. The new 38-month ECF will support the country's poverty reduction and growth aspirations outlined in the Medium-Term National Development Plan (MTNDP) 2024-30, by restoring stability through continued macroeconomic adjustment to address debt vulnerabilities, reduce inflation, and rebuild international reserves; bolster inclusive growth and poverty reduction through structural reforms and targeted social spending; and revitalize the reform agenda to strengthen governance and institutions.

Annex A. 13: Selected Macroeconomic Indicators

Indicators	Unit	2010	2020	2021	2022	2023	2024 (e)	2025 (p)
National Accounts								
GNI at Current Prices	Million US $	2,614	3,877	4,128	4,966	4,738	...	...
GNI per Capita	US$	420	490	510	600	560	...	...
GDP at Current Prices	Million US $	2,578	6,682	6,994	7,119	6,397	8,860	9,655
GDP at 2010 Constant prices	Million US $	2,578	3,767	3,989	4,201	4,440	4,613	4,829
Real GDP Growth Rate	%	5.3	-1.3	5.9	5.3	5.7	3.9	4.7
Real per Capita GDP Growth Rate	%	2.5	-3.6	3.5	3.0	3.4	1.7	2.6
Gross Domestic Investment	% GDP	31.2	15.3	14.1	14.9	19.7	17.3	16.2
Public Investment	% GDP	23.5	5.2	5.4	4.9	6.5	5.7	5.3
Private Investment	% GDP	7.7	10.1	8.7	10.0	13.2	11.6	10.9
Gross National Savings	% GDP	5.2	10.5	8.4	12.7	13.8	12.8	13.8
Prices and Money								
Inflation (CPI)	%	16.8	13.5	11.9	27.0	47.0	30.3	19.4
Exchange Rate (Annual Average)	local currency/US$	3,978.1	9,839.9	10,694.5	14,047.2	21,355.9	23,858.6	26,517.2
Monetary Growth (M2)	%	15.4	36.4	18.8	14.8	...	...	...
Money and Quasi Money as % of GDP	%	27.4	22.9	23.9	20.5	...	...	...
Government Finance								
Total Revenue and Grants	% GDP	15.1	12.3	12.5	13.5	12.7	10.2	10.0
Total Expenditure and Net Lending	% GDP	19.9	15.6	16.9	19.5	17.7	13.8	13.8
Overall Deficit (-) / Surplus (+)	% GDP	-4.8	-3.4	-4.4	-5.9	-5.0	-3.6	-3.8
External Sector								
Exports Volume Growth (Goods)	%	39.1	-8.8	79.3	9.1	4.5	15.0	3.6
Imports Volume Growth (Goods)	%	73.6	-5.1	17.1	-6.6	2.2	6.8	3.3
Terms of Trade Growth	%	-13.2	29.5	-15.8	-11.9	5.7	-3.5	-2.2
Current Account Balance	Million US $	-507	-285	-404	-424	-319	-333	-400
Current Account Balance	% GDP	-19.7	-4.3	-5.8	-6.0	-5.0	-3.8	-4.1
External Reserves	months of imports	3.6	6.1	6.0	3.7	3.0	2.6	2.5
Debt and Financial Flows								
Debt Service	% exports	3.8	15.3	9.7	10.2	11.6	10.0	10.2
External Debt	% GDP	18.7	29.3	28.6	27.4	31.3	26.5	25.7
Net Total Financial Flows	Million US $	445	846	716	518	...	...	...
Net Official Development Assistance	Million US $	458	841	710	523	...	...	...
Net Foreign Direct Investment	Million US $	238	173	212	250	...	...	...





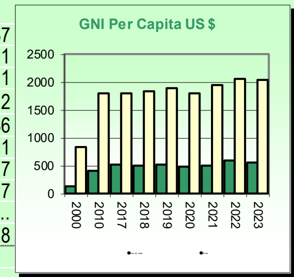


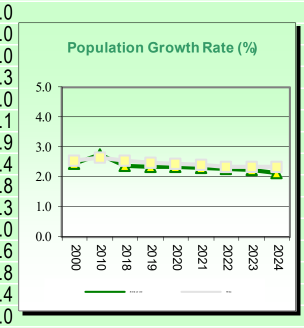
Source : AfDB Statistics Department: African; IMF: World Economic Outlook,October 2024 and International Financial Statistics, October 2024;
AfDB Statistics Department: Development Data Portal Database, December 2024. United Nations: OECD, Reporting System Division.

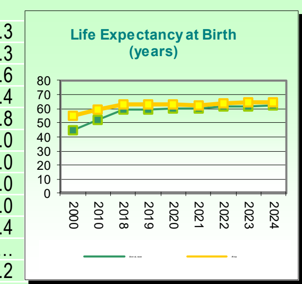
Notes: … Data Not Available (e) Estimations (p) Projections Last Update: December 2024

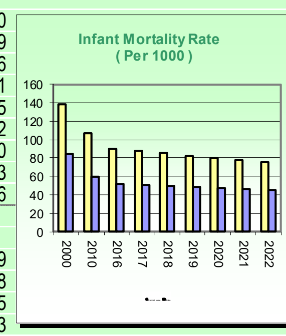
Annex A. 14: Comparative Socioeconomic Indicators

	Year	Sierra Leone	West Africa	Africa	Develo-ping Countries
Basic Indicators					
Surface Area ('000 Km²)	2024	72	5,115	30,104	78,887
Total Population (millions)	2024	8.6	451.1	1,513.3	6,633.1
Urban Population (% of Total)	2024	45.1	48.9	44.5	52.1
Population Density (per Km²)	2022	114.7	89.6	51.5	85.2
GNI per Capita (US $)	2023	560	1 706	2 033	5 736
Labor Force Participation *- Total (%)	2024	53.5	72.7	65.4	61.1
Labor Force Participation **- Female (%)	2024	51.2	68.2	56.8	47.7
Sex Ratio (per 100 female)	2024	99.5	101.8	99.8	105.7
Human Develop. Index (Rank among 194 countries)	2022	184	...	...	...
Popul. Living Below $ 2.15 a Day (2017 PPP)(% of Population)	2010-22	26.1	26.9	31.6	10.8
Demographic Indicators					
Population Growth Rate - Total (%)	2024	2.1	2.3	2.3	1.0
Population Growth Rate - Urban (%)	2024	3.0	3.8	3.5	2.0
Population < 15 years (%)	2024	38.1	41.0	39.1	27.0
Population 15-24 years (%)	2024	20.6	20.3	19.6	16.3
Population >= 65 years (%)	2024	3.2	3.0	3.6	8.0
Dependency Ratio (%)	2024	70.4	78.8	74.7	55.1
Female Population 15-49 years (% of total population)	2024	25.4	24.1	24.6	24.9
Life Expectancy at Birth - Total (years)	2024	62.0	58.6	64.4	70.4
Life Expectancy at Birth - Female (years)	2024	63.7	59.7	66.5	72.8
Crude Birth Rate (per 1,000)	2024	30.1	32.5	30.8	18.3
Crude Death Rate (per 1,000)	2024	8.2	9.8	7.6	8.0
Infant Mortality Rate (per 1,000)	2022	76.0	59.9	44.8	30.6
Child Mortality Rate (per 1,000)	2022	100.8	92.8	64.1	40.8
Total Fertility Rate (per woman)	2024	3.7	4.3	4.0	2.4
Maternal Mortality Rate (per 100,000)	2020	443.0	743.3	459.4	234.0
Women Using Contraception (%)	2024	27.3	29.2	42.0	62.4
Health & Nutrition Indicators					
Medical doctors (per 100,000 people)	2013-23	13.4	27.7	35.7	131.3
Nurses and midwives (per 100,000 people)	2013-23	116.3	142.9	166.2	241.3
Births attended by Trained Health Personnel (%)	2012-22	86.9	60.5	69.2	81.6
Peop. Using at least basic drinking water services (% of Population)	2022	65.3	75.7	69.8	89.4
Peop. Using at least basic sanitation services (% of Population)	2022	22.9	39.6	43.8	76.8
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2022	1.4	1.1	3.1	1.0
Incidence of Tuberculosis (per 100,000)	2023	283.0	165.1	181.0	160.0
Child Immunization Against Tuberculosis (%)	2023	78.0	80.6	81.7	89.0
Child Immunization Against Measles (%)	2023	90.0	67.8	71.2	82.0
Underweight Children (% of children under 5 years)	2012-22	12.0	18.1	16.0	13.4
Prevalence of stunding	2012-22	26.3	29.1	30.3	...
Prevalence of undernourishment (% of pop.)	2022	28.4	15.0	19.8	11.2
Current health expenditure (% of GDP)	2021	8.6	4.2	5.1	5.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2013-23	153.1	88.6	95.3	102.0
Primary School - Female	2013-23	157.6	87.9	93.9	100.9
Secondary School - Total	2013-23	70.7	48.7	52.2	73.6
Secondary School - Female	2013-23	72.0	48.4	50.9	73.1
Primary School Female Teaching Staff (% of Total)	2013-23	33.1	47.1	52.1	65.5
Adult literacy Rate - Total (%)	2012-22	48.6	57.7	68.8	85.2
Adult literacy Rate - Male (%)	2012-22	56.0	67.4	75.5	89.0
Adult literacy Rate - Female (%)	2012-22	41.3	48.4	61.9	81.3
Gouvernment expenditure on Education (% of GDP)	2013-23	6.8	3.7	4.7	3.6
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2022	21.9	19.5	8.8	11.9
Agricultural Land (as % of land area)	2022	54.7	50.9	39.4	42.8
Forest (As % of Land Area)	2022	34.6	16.5	21.2	27.5
Per Capita CO2 Emissions (metric tons)	2020	0.1	0.5	0.9	3.3









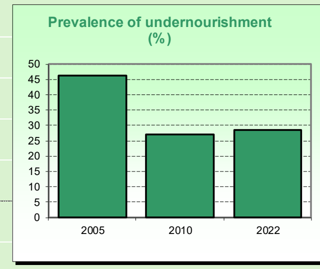
Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports. *last update : February 2025*

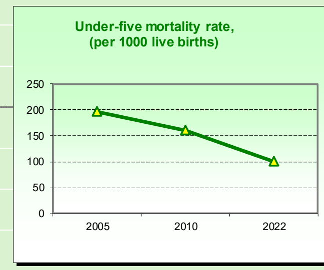
*Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*

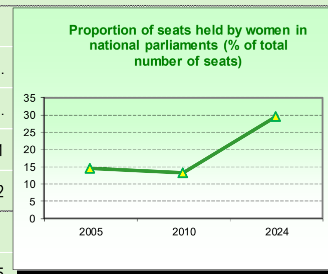
*** Labor force participation rate, female (% of female population ages 15+)*

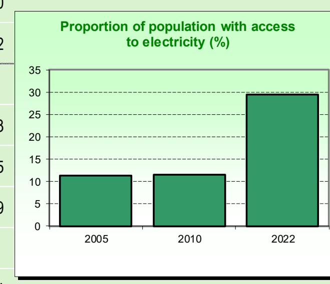
Annex A. 15: Progress toward Achieving the SDGs

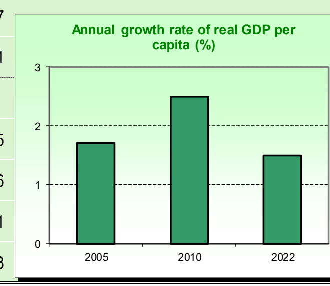
Goal 1: End poverty in all its forms everywhere	2005[1]	2010[2]	2024[3]
Proportion of population living below the international poverty line of US$ 2.15 (PPP) per day	61.3	...	26.1
Proportion of population living below the national poverty line (%)	...	...	56.8
Employed population below the international poverty line of US$2.15 per day, aged 15-24 (%)	...	...	40.2
Employed population below the international poverty line of US$2.15 per day, aged 25 and over (%)	...	...	25.7
Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture			
Prevalence of undernourishment (%)	46.2	27.1	28.4
Proportion of children moderately or severely stunted (%)	39.0	36.9	26.0
Agriculture orientation index for government expenditures	...	...	0.0
Total official flows for agriculture (Millions of Constant 2021 US$)	4	50	38
Goal 3: Ensure healthy lives and promote well-being for all at all ages			
Maternal mortality ratio	1327	837	443
Proportion of births attended by skilled health personnel (%)	40.0	60.8	86.9
Under-five mortality rate (deaths per 1,000 live births)	196.0	160.9	100.8
Malaria incidence per 1,000 population at risk	407.4	450.0	308.1
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all			
Proportion of children and young people at the end of primary achieving a minimum proficiency level in: Reading (%)	...	...	...
Proportion of children and young people at the end of primary achieving a minimum proficiency level in: Maths (%)	...	...	...
Adjusted gender parity index of teachers with the minimum required qualifications, primary (Ratio)	...	...	1.1
Total official flows for scholarships (Millions of Constant 2021US$)	...	0	2
Goal 5: Achieve gender equality and empower all women and girls			
Proportion of seats held by women in national parliaments (% of total number of seats)	14.5	13.2	29.5
Proportion of women who make their own informed decisions regarding contraceptive use (% of women aged 15-49 years)	...	...	78.0
Proportion of women who make their own informed decisions regarding reproductive health care (% of women aged 15-49 years)	...	...	44.2
Goal 6. Ensure availability and sustainable management of water and sanitation for all			
Proportion of population using safely managed drinking water services, (%)	6.1	7.2	10.3
Level of water stress: freshwater withdrawal as a proportion of available freshwater resources (%)	0.5	0.5	0.5
Total official development assistance for water supply and sanitation (Millions of Constant 2021 US$)	8.6	12.1	20.9
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all			
Proportion of population with access to electricity (%)	11.3	11.5	29.4
Proportion of population with primary reliance on clean fuels and technology (%)	0.2	0.2	1.7
Renewable energy share in the total final energy consumption (%)	88.1	84.9	71.1
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all			
Annual growth rate of real GDP per capita (%)	1.7	2.5	1.5
Unemployment rate, (aged 15-24) (%)	5.2	...	3.6
Unemployment rate, (aged 25 & over) (%)	3.0	...	3.1
Proportion of youth not in education, employment or training (%)	21	...	33











Sources : ADB Statistics Department Database; *last update : February 2025*

United Nations Statistical Division, Online Database on Sustainable Development Goals (https://unstats.un.org/sdgs/).

Note : n,a, : Not Applicable ; ... : Data Not Available,

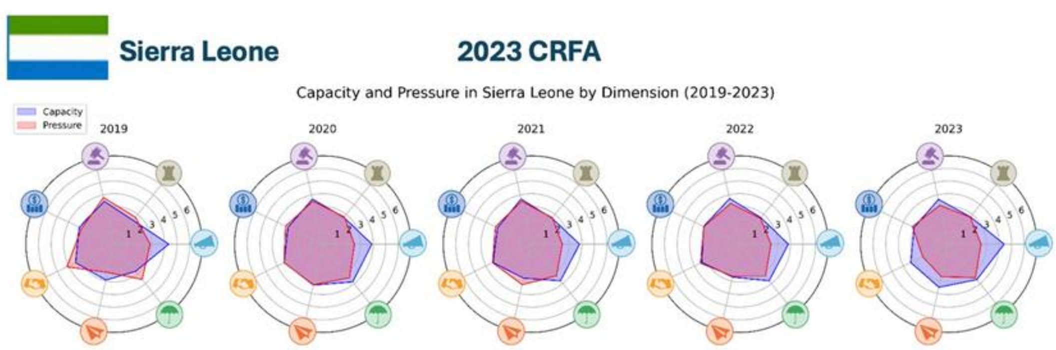
[1] Latest year available in the period 2000-2005; [2] Latest year available in the period 2006-2010; [3] Latest year available in the period 2011-2024

Annex A. 16 Fragility and Resilience Assessment Note

(a) Introduction/Country Context

Sierra Leone has made significant strides in achieving peace and stability shown by peaceful elections and rebuilding its economy following a decade-long civil conflict. The 2023 elections marked the fifth successive election since emerging out of an eleven-year brutal civil war to civilian rule in 2002. Sierra Leone has maintained stability since the conclusion of the United Nations (UN) Mission in 2008. It has potential agriculture based, with the sector contributing 60% of GDP and providing about 43% of jobs for the population in 2023. In rural areas, well over 80% of the population get their livelihood from subsistence farming. Despite progress made in building peace and the potential in the agriculture sector, the country still grapples with considerable fragility, primarily due to weak governance institutions and low capacities to address various pressures. Increasing cost of living, impacting food security and living conditions of the population in a politically polarized environment, has presented signs of heightened fragility. These factors have precipitated notable macroeconomic imbalances including escalating level of public debts, inflationary pressures and fiscal deficits.

These conditions manifested during anti-government protests in August 2022 and an attempted military coup in November 2023. Economic challenges caused by stagnation, unemployment, and low productivity, along with social challenges such as poverty and inequality, have aggravated an increasing sense of frustration among the population. Rapid rural-urban migration by the youth, weak governance, environmental challenges, and climate change hinder the country's capacity to build resilience. The Bank has endeavored to address these challenges by undertaking a full-fledged fragility and resilience assessment to inform preparation of the new CSP and annually analyzing the pressures and capacities of all dimensions of the CRFA. Overall, the Bank has been effective in applying fragility lens in operations to strengthen its fragility and resilience agenda in Sierra Leone, operationalizing its Strategy of Addressing fragility and Building Resilience in Africa (2022-2026).



From 2019 to 2023, Sierra Leone gradually and modestly improved its CRFA scores. Capacity scores were equal to or greater than pressure scores, based on the 2023 CRFA's quantitative measurements. This was the case for all dimensions, with inclusive politics being the strongest dimension. The figure above depicts this gradual improvement from 2019 to 2023. The Bank needs to continue effective policy dialogues with key stakeholders including development partners, the government, civil society and community-based organizations and non-governmental organizations to improve operational efficiency during the period of the new CSP.

(b) Drivers of fragility to be addressed by the new CSP as informed by the CRFA

Sierra Leone economy continues to face significant challenges with high inflation, pressures on the currency, substantial risk of debt distress and inadequate growth to support poverty reduction. The level of pressure remains substantial as a result and due to weak governance institutions and low capacities to address or mitigate pressure at various fronts. Drivers of fragility include economic challenges of stagnation, unemployment and low productivity; social challenges of poverty, inequality, population growth and rapid youth urbanization; weak governance in a fragile democracy; and environmental factors. These factors have primarily been attributed to subdued aggregate demand and socio-political stability concerns.

Inclusive Politics

The current political situation in Sierra Leone is characterized by the 2023 election of President Julius Maada Bio of the Sierra Leone People's Party (SLPP), who secured a first-round victory with 56.2% of the vote against the opposition the All-People's Congress. The APC disputed the results, alleging vote manipulation, which sparked widespread protests demanding transparency in voter registration and counting processes. The APC rejected the official election results, accusing the ruling party of manipulating the vote. The opposition, government and civil society through the tripartite arrangement facilitated by the AU, ECOWAS and Independent Commission for Peace and Social Cohesion resolved this political tension through negotiation. This arrangement was instrumental in opposition acceptance of the government's legitimacy and the formation of a cross-party electoral reform committee suggest progress towards political stability that strengthen peace and social cohesion in Sierra Leone.

Security

Since 2022, Sierra Leone has been showing signs of deepening fragility. For example, antigovernment riots and attack by gun men on a military barrack and a prison Freetown, killing at least twenty people, including thirteen soldiers in November 2023. Violence and insecurity in the past few years reflect Sierra Leone's persistent fragility after investing in peace and state-building for two decades. These incidents occurred amidst unresolved political grievances stemming from the June 2023 presidential elections where opposition accused the government of malpractices and underscore the deeply polarized nature of Sierra Leonean politics. The violence highlights persistent fragility in Sierra Leone, despite efforts of investing in peace and state-building initiatives. While the opposition's acceptance of the government's legitimacy and the formation of a cross-party electoral reform committee suggest progress towards political stability, the "coup attempts" and "security breaches" since the June 2023 election emphasize that without comprehensive political reforms and social cohesion initiatives, security threats arising from persistent fragility and extreme political polarization will endure.

Justice

The constitution provides for an independent judiciary, but the courts are prone to executive interference. Despite these constitutional provisions for judicial independence, executive interference and a lack of clear appointment procedures can lead to potential abuses. Judicial corruption, inadequate salaries, and limited resources hinder judicial autonomy and access to legal counsel, with the right to a fair trial often not upheld in practice. The constitutional right to a fair trial is sometimes limited in practice. Judicial officials worked to reduce the significant backlog of unassigned cases during 2023 but not enough to expediate adjudication of cases on dockets.

Economic & Social Inclusiveness

Sierra Leone has a traditional economy in which most of the population engages in subsistence agriculture, and direct government involvement in economic activity limits private sector development. Minimum availability of basic services in the rural areas due to poor social infrastructures affect economic & social inclusiveness thus increasing youth migration to the urban cities at the rate of 4% annually. This exerts further pressures on the limited services provided by the government in cities and urban locations, presenting pressure on the country's fragile peace and stability. Most of the population >40 years old live at a subsistence level and work in the informal economy as youth < 35 years old are interested in quick cash activities like bike riding and artisanal mining. These group do not have access to a regulated market economy or a social welfare system. The youth unemployment is among the highest in the West African sub-region compounded by skills mismatch. Support should be strengthened for rural extreme-poor households through economic empowerment initiatives to improve resilience. The cost of food in Sierra Leone increased by 60.34% in October 2023 compared to the same month in the previous year. Food inflation in Sierra Leone averaged 14.21% from 2008 to 2023, reaching an all-time high of 64.67% in September 2023.

Social Cohesion

Sierra Leone is anchored on a clear and robust social cohesion framework supported by the Independent Commission for Peace and National Cohesion Act, 2020 particularly in terms of religious tolerance. More than half the population faced moderate food insecurity, while over 70% of households allocate a substantial portion of their monthly expenditures to food, further straining social and political stability. These factors drive the political instability in Sierra Leone as the youth population accuse the government of not creating the enabling environment for sustainable job creation. Social tension in Sierra Leone is high as the government is unable to provide adequate basic services to address high inflation due to the rising cost of living. According to the 2018 Sierra Leone Integrated Household Survey, out of every two Sierra Leoneans, one is poor, while out of every 11, one is living in extreme poverty.

Externalities/Regional Spillover Effects

As a member of ECOWAS, Sierra Leone benefits from the economic opportunities presented by West African integration efforts and the Mano River Union. However, the country faces indirect impacts from the looming Sahel security crisis and resulting fractures to the G5 Sahel and ECOWAS. Sierra Leone supports regional integration and maintains good neighbourly relations to address potential security threats in the region. Sierra Leone actively promotes regional integration and maintains positive relations with its neighbors to mitigate security risks.

Climate/Environmental Impacts

Forestry degradation in the upper western peninsula catchment amplifies the effects of the natural hazards, through erosion and mudslides. Additionally, the country faces health challenges resulting from limited provision of water and sanitation services, which condition is exacerbated by the climate change effects. The Government of Sierra Leone (GoSL) has been making enormous efforts and continues to prioritize climate action, environmental protection and water supply improvement.

(c) Consolidating on the Gains from the previous engagements in Sierra Leone

The Bank's interventions in Sierra Leone have addressed structural challenges and infrastructural deficits hindering the country's growth and resilience. The Bank's supports increased electricity generation and distribution to improve access to affordable and reliable electricity supply to enhance economic diversification by increasing energy access rate to 36% in 2023 compared to less than 20.0% in 2019. Access to energy increased domestic food production and preservation especially in rural areas. It has been instrumental in reducing women's time and labour used for routine household tasks and opening diverse livelihood opportunities for women. In the agriculture and WASH sectors, gender mainstreaming activities include enhancing women's economic empowerment and access to productive resources such as technology. The Bank contributed significantly to increasing the sustainable and environmentally resilient national road network to reduce the cost of road transport and ensure better access to social services. The entire 465Km of the Trans West African Highway that goes through Sierra Leone has been upgraded, and significant progress has been made to construct bridges along 13 missing links of the core network. Consolidating on these gains is vital for the foundation of the future Bank's engagement in the country to support resilience building in the country.

(d) Supporting resilience building through Bank Operations

In-depth analytical work and knowledge generation to inform fragility lens application.

In 2024, the Bank conducted a comprehensive fragility and resilience assessment in Sierra Leone. This assessment, informed by various inputs including the Country Resilience Fragility Assessment (CRFA), aimed to enhance the Bank's understanding of fragility drivers, resilience sources, intervention opportunities, and necessary partnerships to bolster Sierra Leone's resilience. The Bank also conducted Outcomes Based Finance (OBF) Study to understand the viability of an outcomes-based finance structure that improves outcomes for young people across livelihoods and education, peacebuilding, and conflict prevention. The findings of this assessment and study have been instrumental in preparing the new Country Strategy Paper (CSP 2025-2030) for Sierra Leone. The CSP affirms the Bank's commitment to supporting Sierra Leone's development objectives outlined in the Medium-Term National Development Plan (MTNDP 2024-2030) based on its comparative advantage resource allocation. The MTNDP – which focuses on five priority areas known as the BIG FIVE GAME Changers – aligns with Sierra Leone's long-term vision of achieving middle-income status by 2039.

Energy Sector. Sierra Leone's energy sector faces numerous challenges, including inadequate infrastructure, frequent power outages, and a lack of maintenance, which hinder consistent and reliable power supply across the nation. The country's primary sources of electricity include hydropower, thermal power, and a growing interest in renewable energy. The Bumbuna Hydroelectric Plant, located on the Seli River, is a significant contributor to the national grid, providing approximately 50 megawatts (MW) of electricity, which accounts for about 20% of the country's power supply.

Mini grids can offer a cost-effective solution while simultaneously providing higher tiers of energy services, while catalyzing private investments in transition markets and addressing climate change challenges through renewable energy. To achieve inclusiveness, it is important that the approach for the sector enables spatial equity as well as mechanisms for the most disadvantaged households to access and pay for the services to also sustain the schemes. Public lighting and social infrastructure (schools, health centers, public administrations, etc.) should be intentionally targeted wherever a new area is electrified. Besides, job creation opportunities for young women and men in the energy sector should be promoted during the works, as well as economic opportunities for women, leveraging on access to electricity.

Transport Sector. Sierra: Feeds road transport has several challenges such as inadequate fuel levy for maintenance and insufficient funding to enhance connectivity in rural areas, which hampers internal trade and increases transport costs and travel time. Improved roads would yield cross-sectoral synergies. For instance, better rural roads would not only enhance agricultural value chains and reduce road accidents but also improve security and governance.

The Bank would make a lasting difference in continuing to promote related facilities and an integrated approach to infrastructure development. The "Do no harm" principle should be adequately applied to protect vulnerable groups during all stages of the project cycle, through devising conflict prevention and peace-transformative activities. This implies involving local populations at three level: as beneficiaries of infrastructure and related facilities; as service providers, to fully enjoy job creation and economic opportunities created by the operations; and as stakeholders in the framework of continuous consultations, to make sure all the activities respond to their needs, and they own them. Due attention should also be given to addressing gender-based violence occurring with the influx of construction workers and contractors, securing livelihoods for project-affected people, particularly those displaced, to enable proper compensation and resettlement in dignity, promote cohesion with host communities, and prevent mistrust and grievances that can escalade to conflicts. More studies are also recommended for rural infrastructure, given the role they can play in preventing the rule of non-state actors and managing crime risks that isolated and inaccessible rural communities are exposed to. Studies on the 'Peace Bridge' at the Sierra Leonean-Guinean border, which has faced delays because of long-term tensions may also be considered.

Water and Sanitation (WASH). There are disparities in access to water and sanitation services between urban and rural areas, and overall, an estimated 70% of Sierra Leone's population does not have access to hygiene facilities. There is a significant disparity between planned and unplanned settlements and income levels in urban areas, with implications on access to water and sanitation services. In rural regions, more people rely on unimproved or surface water sources. Around 28-30% of improved water sources are non-functional at any time due to breakdowns. Additionally, 26.37% of the population uses unimproved sanitation, with only 22.92% having access to basic sanitation. In addition, the water sector is assessed as lacking institutional coherence and effectiveness.

In supporting resilience building in the WASH sector, the Bank interventions could complement the operations in water supply, sanitation and hygiene provision services with innovative solutions to contribute to water-borne diseases. This could include catalyzing private investments in the waste management industry to prevent mosquito-borne diseases while creating opportunities for job creation and reduction of poverty in the country. It is crucial to also consider provision of sanitation facilities in favor of the most disadvantaged households.

Agrriculture sector. Due to the subsistence nature of farming and a mechanization rate of less than 2%, only around 15% of arable land is currently under cultivation. Additionally, the adoption of improved technologies and practices among farmers remains low, as the pipeline connecting research, release, and adoption of agricultural technologies is dysfunctional. The use of fertilizers and other agrochemicals is suboptimal, leading to yields for most crops falling below attainable potentials. For instance, rice yields have ranged between 1.27 to 2.1 metric tons per hectare over the past six years, which is significantly lower than the regional average. Similarly, cassava yields are below potential, ranging from 15.7 to 21.3 metric tons per hectare between 2017 and 2020.

The Bank support in agriculture will support resilience building through value chain development by creating business linkages between actors along to chains to build mutual trust and facilitate market dynamics anchored in local content and local economic development schemes; integrate peace positive mechanisms for natural resources management, particularly land and water. Transparent mechanisms for land allocation and other resources should be put in place to mitigate conflict risks and to ensure equitable resource distribution and prevent social exclusion, while fostering community ownership. Regular consultations with community stakeholders should be prioritized to maintain trust and transparency; encourage private-sector-led financial innovations, such as crop insurance, credit lines, and payment platforms, to improve smallholder farmers' access to essential resources and reduce economic vulnerabilities; incorporate programs targeting improved dietary diversity and food fortification to address malnutrition among women and children. Collaborate with nutrition-focused organizations to integrate health and agriculture outcomes.

(e) Conclusion

The Bank support to strengthening resilience will focus on the approaches to achieve more capacity than pressure in at least 5 dimensions of the CRFA. Special attention will be given to climate change, security and economic & Social inclusiveness dimensions (targeting sub-dimensions related to economic and income inequalities, poverty, youth and gender marginalization). This will be possible through the application of fragility/resilience lens in all the operations in the pipeline, in alignment with the three priority areas of the 2022-2026 Strategy for Addressing Fragility and Building Resilience in Africa, namely: “strengthening institutional capacity, building resilient societies, and catalysing private investments”.

Annex A. 17: Country Fiduciary Risk Assessment (CFRA)

Executive Summary

A full Country Fiduciary Risk Assessment (CFRA) was carried out in May 2024 as part of the Country Strategy Paper (CSP) completion. The country fiduciary risk assessment concludes that the overall Country Fiduciary Risk of Sierra Leone remains substantial (consistent with country fiduciary risk rating at the CSP Mid-Term Review/ MTR in May 2022), although there have been some positive PFM reforms in the trajectory. The assessment was carried out in line with the Bank’s Country Fiduciary Risk Assessment User Guide (April 2014). It used recent diagnostic reviews (including the 2021 PEFA, 2018 BPAR, Government of Sierra Leone (GoSL) Official Published information, IMF Article IV reports on Sierra Leone, international indicators on governance, conducted interviews with some key PFM officials within GoSL, development partners (DPs), and other fieldwork during the CSP completion mission in May 2024. The country fiduciary risk assessment provides an objective assessment of the key inherent fiduciary risk associated with the core PFM sub-systems and proffer appropriate mitigating measures against the risks identified. The assessment ascertains if the Bank should place full or partial reliance on the core GoSL PFM sub-systems for the implementation of Bank funded operations, and also determines the scope for capacity development where weaknesses are identified, in line with the Bank’s commitment to operationalize the objectives of the Paris Declaration on Aid Effectiveness, Accra Agenda for Action, and Busan Partnership for effective development co-operation. This assessment encompasses the main PFM areas of the GoSL, which includes, Budget planning and execution, Treasury management, Accounting and Reporting, Internal Control, External Audit and Legislative Scrutiny, Governance and Procurement.

There have been tremendous key PFM and Procurement reforms anchored on major legal and regulatory changes due to the passage of the PFM (amended) Act 2023, Audit Service (amended) Act 2023, Finance Act 2022, PFM Act 2016, PFM regulations 2018, Public Procurement Act 2016 as amended in 2020, Audit Service Act 2014 as amended in 2023, the Fiscal Management and Control Act 2017 and the other Finance Acts, 2020 to 2024, which propel the PFM reforms agenda. The assessment concludes the overall country risk consisting of PFM, Procurement and Governance is Substantial.

1.0 Public Financial Management (PFM):

The Bank undertook a full Country Fiduciary Risk Assessment (CFRA) in May 2024 during the Country Strategy Paper (CSP 2020-2024) completion mission. A full CFRA was undertaken virtually in May 2020 and updated in June 2022 during the CSP MTR/CPPR. It was concluded that the overall country fiduciary risk associated with the PFM sub-systems of the GoSL remains substantial, despite some PFM improvements on the trajectory, due to some progress in PFM reforms due to the legal and regulatory environment and wider roll out of IFMIS (Integrated Financial Management Information System). IFMIS has been upgraded to version 7.0 (which is web-based and robust) and there is wider deployment to about 71 MDAs (covering over 80% of government expenditure). Consequently, it has improved tremendously, the timely preparation and submission financial statements for external audits. In addition, the GOSL has implemented Electronic Funds Transfer (EFT), introduction of Electronic Cash Register (ECR), and upgraded the chart of accounts (COA) in line with the Government Finance Statistics 2014 (GFS 2014). The TSA implementation is at advance stage of Phase II (bringing on board all Sub-vented and Semi-Autonomous Agencies) and Phase III will involve incorporating all donor project accounts and local councils into the TSA. The 2022 PEFA report noted that there are 230 budgeted central government bank accounts out of which 85 are under the TSA domiciled at Bank of Sierra Leone (BSL) and the remaining 145 MDA accounts also at BSL. It further states that all government bank/cash balances are consolidated on monthly basis but TSA managed balances representing 3.7%, are consolidated daily and those outside the TSA representing 96.3% (MDAs accounts) are consolidated monthly.

Other recent key PFM reforms include the automation of the PETS, integrating the ePETS with IFMIS version 7.0 aims to promote budget credibility, reduce bureaucracies on expenditure approvals and enhance timely release of funds and delivery of public goods and services. The GOSL has also introduced PFM Smart system, which is an upgrade to the PETRA system and web-based, meant to address the challenges Local Councils encounter in financial reporting. The Electronic Cash Register (ECR) will enhance the capacity of the National Revenue Authority (NRA) to monitor transactions of business entities and determine the applicable taxes payable to government in real time. The implementation of Integrated Tax Administration System (ITAS) and integration with other systems including National Civil Registration Authority (NCRA) and ECR is expected to improve revenue administration and transparency, albeit some system issues, capacity challenges, sensitization and compliance, have been highlighted. Moreover, the NRA systems are yet to be fully integrated with IFMIS for seamless sharing of data.

The Accountant General Consistently applies International Public Sector Accounting Standards (IPSAS) Cash Basis and ensures that the consolidated financial annual accounts are submitted to the Auditor on time for audit. The internal audit department as mandated in the PFMA (amended) 2023 and PFMA 2016 is focused on improving the general control environment. The IA function remains a Department under the MOF and the bill which had sought to make the IA legally and structurally independent remains on the drawing board yet to be submitted to legislature. Legislative scrutiny and external audits have seen significant improvements regarding audit coverage, quality and timeliness submission of audit reports, passages of the Audit Service (amended) Act 2023 and Finance Act 2022, which improves the AG's independence and the sanction regime of audit recommendations (respectively). The AG consistently applies international standards of supreme audit institutions (ISSAIs) in the execution of external audits and the coverage had always been above 85% of government expenditure. However, late budgetary releases, staffing (including other technical areas), capacity building and logistics challenges need to be addressed. Also, untimely deliberations on public accounts by Public Accounts Committee (PAC) and the sanction regime need to be further tightened. The implementation and monitoring of audit recommendations has seen some improvements with the establishment of audit committees and the and monitoring tool hosted by the IA.

Notwithstanding the above positive PFM reforms, the key underlisted challenges exist which could pose as fiduciary risk. These include inter alia: internet connectivity and bandwidth which pose a major challenge to wider roll out of IFMIS; capacity challenges of local councils and compliance with financial reporting; the inclusion of all government funds and donor funded projects in the TSA is yet to be achieved; budget overruns/ virements, unbudgeted expenditures, and accumulation of arrears persist, affecting budget credibility and transparency; independence of the IA function and capacity challenges; Slow implementation of audit recommendations by vote controllers; legal independence and capacity constraints of ASSL; PAC deliberations on audit reports and issuance of final reports experience delays; weak sanction regime on PAC recommendations, capacity and logistical challenges of the NRA to ensure tax compliance; and maintenance of adequate government fixed assets/ inventory records. To address these challenges, the GOSL developed new PFM Strategy and Plan (2023-2027), which is anchored on the Country's Medium-Term National Development Plan (2024-2030), which was launched on 30 January 2024.

2.0 Summary of the fiduciary risk for PFM sub-systems

Table 1: The level of overall fiduciary risk the PFM Sub-systems in Sierra Leone

Elements	Previous Risk Assessment	Current Risk Assessment	Trajectory	Mitigation Measures
Budget The Budget sub-system capacity is adequate to plan (formulate) budgets for the programs and projects The Budget sub-system capacity is adequate to execute budgetary control of programs or projects	Moderate Moderate	Substantial Moderate	↓ -	The PFMA2016, regulations are as well as the Finance Act of 2020 and the new PFM strategy are expected to address shortcomings associated with poor forecasting and budget executions. Ongoing PFM reforms underpinned in the new PFM strategy and plan will ensure the necessary budgeting tools and support MDAs on budget formulation. Also, wider deployment of IFMIS version 7.0, with

Elements	Previous Risk Assessment	Current Risk Assessment	Trajectory	Mitigation Measures
				its robust budgeting module will improve commitment and payment controls. The integration of ePETS with IFMIS would substantially reduce unintended overspending.
Treasury The Treasury sub-system capacity is adequate to manage the inflow of resources and disbursements of aid funds. The Single Account is an appropriate and reliable way to administer aid funds	Substantial Moderate	Substantial Moderate	- -	The GoSL adopted a Medium-Term Debt Management Strategy (MTDS, 2021-25) which aims to reduce short-term domestic debt and use more of highly concessional external debt whilst prioritizing clearing of legacy domestic arrears.
Accounting Recording and Reporting The Financial Accounting sub-system is sound, and capacity is adequate to record program and/or project transactions and account for their progress and financial status. Financial Management information systems have flexibility to accommodate specific reporting requirements of programs and projects and have procedures in place to ensure timeliness and quality of information produced. The Financial Accounting sub-system has an integrated Fixed Assets module for the proper recording and control of assets purchased with program / project funds. The Accounting sub-system maintains up to date records of the country's borrowings. The Accounting systems are secure against deliberate manipulation of data and/or accidental loss of or corruption of data.	Moderate Moderate High Moderate Moderate	Low Moderate High Moderate Low	↑ - - - ↑	The upgrade of IFMIS to version 7.0, web based and introduction of new chart of accounts (containing 33 digits consistent with Government Finance Statistics) which is more robust, will be integrated with other system, coupled with ICT infrastructure support for connectivity, to the LCs. The deployment is also expected to be extended donor funded projects, overseas embassies, sub-vented agencies, and other government entities to further improve financial data and reporting.
Internal Control The Internal Control sub-system capacity is adequate to control the financial operations of programs and projects. Competition, value for money and controls in procurement are adequate The Internal Audit function capacity is adequate	Substantial Moderate Substantial	Substantial Moderate Substantial	- - -	The upgrade of IFMIS to version 7.0, being deployed to all sub-vented agencies is expected will further improve the controls over the wage bill. With sustained gains from payroll reforms from the ended IMF ECF, the GOSL with the support of FCDO in collaboration with other key partners has developed and launched a Payroll Policy Document, which captures statutory provisions and policy instructions impacting the payroll, and reform areas, serving as a guide for administering and addressing challenges in the payroll.

Elements	Previous Risk Assessment	Current Risk Assessment	Trajectory	Mitigation Measures
External Scrutiny and Audit The SAI has the level of "independence" needed to enable it to effectively fulfil its functions. The SAI has the capacity to meet its audit mandate	Substantial Moderate	Substantial Low	- ↑	The 1991 constitution is under review, and it is expected to address the issues of independence regarding the AG. Also, the implementation of the ASSL (amended) Act 2023 and related regulations is expected to address the resource constraints and timely release of funds to the AG once the budget is approved by Parliament.

3.0 Review of PFM Sub-systems

This presents the detailed performance and risk ratings of the Budgeting, Treasury, Accounting and Reporting, Internal Control and Legislative Scrutiny & External Audit Sub-systems in Sierra Leone at the time of the CSP-MTR.

3.1 Budgeting Sub-System

The PFM Act 2016 and related Regulations govern the budget preparation, approval, execution and reporting. The budget call circular provides an orderly timeline for preparation of both Medium-Term Expenditure Framework (MTEF) and budget, but in practice the medium-term forecasts are weak and poorly linked to policy or plans. The MTEF is anchored on PFM Reform Strategy and Plan (2023-2027) and the new 20 years National Development Plan (NDP) (2019-2039). The budget for the ensuing year is submitted and approved by Parliament before the end each financial year, in line with the budget calendar and the PFMA 2016.

Budget credibility- The overall comparison of original budget data with actual outturns appears to be weakening over the years. Concerns remain, especially in strategic planning and budget credibility which has been further exacerbated by the advent of the COVID-19 global pandemic, the multiple shocks and national security necessitating the incurrence of unplanned expenditures in budget execution regarding commitment controls and accumulation of expenditure arrears also compounded by revenue shortfalls. The 2022 PEFA report observed that although there is a significant drop in the stock of revenue arrears, it was attributed to inflows from development partners to support GOSL's arrears clearance strategy. The upgrade of IFMIS to version 7.0, web based and the introduction of new chart of accounts (containing 33 digits consistent with Government Finance Statistics (GFS) 2014) ensures that budget formulation and execution takes place within IFMIS. Furthermore, the automation of the PETS, integrating the ePETS (Electronic Public Expenditure Tracking System) with IFMIS aims to promote budget credibility, reduce bureaucracies on expenditure approvals and enhance timely release of funds and delivery of public goods and service.

Comprehensiveness and transparency of the budget- Assess the extent to which GOSL makes eight key budget documents (pre-budget statement, executive's budget proposal, enacted citizens' budget, in-year reports, mid-year review, year-end report and audit report) available to the public online in a timely manner and if the information is comprehensive and useful. There has been overall improvement in the monitoring of public sector enterprises' fiscal position and public access to key fiscal information, with approved budget documents and citizens budget published on the MOF's website alongside quarterly budget execution reports with expected donor contributions. In line with Section 66 (2) of the PFM Act 2016, quarterly fiscal reports are prepared and published on the MOF's website. The reports also showed comparisons of budgeted and actual expenditures with explanatory notes for variances on the various categories. Also, financial transactions and bank balances of Projects and SOEs are compiled alongside with those of the consolidated fund, further improving comprehensiveness and transparency. However, stand-alone donor financed projects still operate outside the approved budget and its execution. Moreover, limited information still exists with the awards of some government contracts, special government programmes, national security, and fiscal relations with local councils.

Policy-based budgeting- Assess robustness of macroeconomic and fiscal forecasts, underpinning sustainable fiscal strategy, ensuring greater predictability of budget allocations. The Macro-Fiscal Policy Division, leading the Macro-Fiscal Strategy Working Group which comprises various divisions in the Ministry of Finance, National Revenue Authority, National Mineral Agency, Bank of Sierra Leone and Statistics Sierra Leone produce comprehensive and consistent macroeconomic forecasts for key macroeconomic indicators covering the fiscal year and two outer years using the Sierra Leone Integrated Macroeconomic Model (SLIMM).

The 2022 PEFA report observed an improvement performance, as GOSL prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure and the budget balance, for the budget year and two following fiscal years. It was also noted that in compliance with Sections 21 & 23 of PFMA 2016, GOSL has published a comprehensive Fiscal Strategy Statement (FSS) FY2024-2028, which sets out the medium-term fiscal forecast objectives and assumptions. The objective of the FSS clearly sets out the Fiscal Strategy of the GoSL regarding debt sustainability, revenue & expenditure, fiscal policies to maintain macroeconomic and prudent management fiscal risks.

Predictability and control in budget execution – Examines the rights and obligations of taxpayers (including redress), the risk associated with revenue management, the audit and fraud investigation measures; and mechanisms for monitoring and collecting revenue arrears. The NRA The National Revenue Authority Act, 2022 mandates the NRA to administer and enforce revenue laws promulgated for the assessment and enforcement of collection of revenues on behalf of the Government. Section 31 (1) of the Act states that subject to subsection (2) all revenues collected by or due and payable to the Authority under this Act shall be paid into the Consolidated Revenue Fund within 24 hours. The recent introduction of the Electronic Cash Register (ECR) aims to enhance the capacity of the National Revenue Authority (NRA) to monitor transactions of business entities and determine the applicable taxes payable to government in real time, albeit capacity issues, sensitization and compliance have been highlighted. The automation of the NRA systems including ITAS and ASYCUDA are expected to bring efficiency in revenue and boost collections. The Extractive Industries Revenue Act, 2018 was passed to provide for and coordinate various taxes and charges on extractive industries, the regulation of fiscal aspects of extractive industry agreements and for other related matters. The attainment of the fiscal targets in the recent years had been challenging largely due to the impact of COVID-19 global pandemic and the multiple shocks which impacted negatively on economic activities affecting the tax base and weakened tax compliance resulting in drop in domestic revenues. The NRA website: https://www.nra.gov.sl/ is easily accessible and provides comprehensive and up-to-date information on tax laws, tax administration processes and procedures, tax rates, customs duties and levies, information for new individuals and businesses desiring to reside or operate in Sierra Leone. It has also step up tax education and campaigns, to reach out to taxpayers; and the general public. Its Call Centre makes easy access to the NRA 24/7.

Current Risk – Lack of capacity in forecasting and budget formulation in line ministries results in a lack of aggregate fiscal discipline. The continued accumulations of arrears post a serious watchpoint to fiscal discipline. The inability to include donor financing in IFMIS, which is not in line with good practice, serves to exclude monitoring of the execution of donor funded projects from the legislative oversight.

Mitigation – The PFMA2016, regulations are as well as the Finance Act of 2020 and the new PFM strategy are expected to address shortcomings associated with poor forecasting and budget executions. Ongoing PFM reforms underpinned in the new PFM strategy and plan will ensure the necessary budgeting tools and support MDAs on budget formulation. Also, wider deployment of IFMIS version 7.0, with its robust budgeting module will improve commitment and payment controls. The integration of ePETS with IFMIS would substantially reduce unintended overspending.

Overall Rating- The overall risk rating for the budget sub-system is Moderate, at May 2024.

3.2 The Treasury Sub-System

3.2.1 Review of Performance- The TSA is an account or set of unified, linked accounts through which the government receives all revenues and transacts all payments and gives a consolidated view of government cash resources. It facilitates better fiscal and monetary policy coordination, which in turn improves the quality of fiscal information, and avoids unnecessary borrowing costs on raising funds to cover perceived cash shortages. The PFMA and related Regulations established the legal and regulatory framework for the Treasury Single Account (TSA). The TSA is hosted at the Bank of Sierra Leone and linked to all GoSL bank accounts. Daily, the Accountant General receives an electronic copy of bank balances of each account held by the Treasury and used to prepare a daily consolidation of central government bank/cash balances. Implementation of Phase II of the TSA implementation is in progress, bringing on board all Sub-vented and Semi-Autonomous Agencies into the TSA architecture. The final stage involves incorporating Project accounts and those of local councils. The 2022 PEFA report indicated that there are 230 budgeted central government bank accounts out of which 85 are under the TSA domiciled at Bank of Sierra Leone (BSL) and the remaining 145 MDA accounts also at BSL. It further noted that all government bank/cash balances are consolidated on monthly basis but TSA managed balances representing 3.7%, are consolidated daily and those outside the TSA representing 96.3% (MDAs accounts) are consolidated monthly.

The Cash Management Committee (CMC) was established in line with Sections 48 and 49 of the PFMA 2016 and Sections 37 to 42 of related Regulations, with the responsibility of managing central government cash flows (CFs) and advising the Minister of Finance. The CMC comprises representatives from the NRA, BSL, Public Debt Management Division (PDMD) and the Accountant General's Department (AGD). Representatives from key revenue generating agencies are usually co-opted into these meetings. Quarterly cash flow forecasts are prepared during the year and disaggregated into monthly and weekly. The forecasts compared against the actual amounts of revenue, expenditure and financing on a weekly basis. The stock of arrears (comprising of cheques payable and cheques in hand) are updated and circulated to various stakeholders. An extended Cash Management Committee (including public debt management) met intermittently during the year, chaired by the Chief Economist at the Ministry of Finance. With technical support from the IMF, cash flow forecasting and planning, had further improved with the introduction of the New Cash Flow Forecasting Analytical Tool for effective cash forecasting.

3.2.2 Public debt Management

The to manage both domestic and foreign debt, The GoSL is at the verge of phasing out the CS-DRMS as a debt recording and management software, used by the Debt Management Department of MoF to manage external debts and reconciles the domestic debts with the recordings by BSL. The GoSL is at the verge of phasing out the CS-DRMS as a debt recording and management software but has entered into an End User License Agreement with the Commonwealth Secretariat U.K., for the use of the Commonwealth Meridian, to replace the CSDRMS. The GoSL aims to migrate from the CS-DRMS to the Commonwealth Meridian, for which the Commonwealth Secretariat U.K, is committed to provide the required technical and capacity building support to ensure a smooth migration. but has entered into an End User License Agreement with the Commonwealth Secretariat UK. The AfDB is supporting the GoSL, under the "Enhancing Efficiency in Public Debt Management Institutional Support" towards the cost of recruitment of a Technical Assistant for Debt Data Validation in preparation for migration to Commonwealth.

The 2022 PEFA review indicated that as enshrined in Section (2) of the Public Debt Management Act, 2011, the Minister of Finance has the sole authority to borrow and approve guarantees on behalf of the Government. The GoSL adopted a Medium-Term Debt Management Strategy (MTDS, 2021-25) which aims to reduce short-term domestic debt and use more of highly concessional external debt whilst prioritizing clearing of legacy domestic arrears. Debt service payments accounts for an about 25 %of domestic revenues, thereby reducing the resources available for spending on other priority programmes. Both domestic and external borrowings are done in line with the objective of Public Debt Management Strategy, which provide procedures and guidelines on how to borrow, issue debt and undertake debt-related transactions. The 2022 PEFA report noted that information on debt has improved recently including updated data on outstanding debt (https://mof.gov.sl/documents/total-public-debt-stock-2021-2025-new-external-loans-ratified-soesloans-and-contingent-liabilities-in-2021/), widening of the scope of Annual Debt Report to include information on SOE debt or debt arrears. Information on domestic securities has also improved with the publication of auction calendar and more systematic publication of auctions results. According to the IMF 8th and Final Review under the ECF, indicated that continued reform momentum will be critical in restoring macroeconomic stability and containing risks to debt sustainability. It further states a decisive macroeconomic policy tightening is needed to restore stability and contain risks to debt sustainability. The authorities have taken bold steps to tighten policies, but reform implementation is challenging amid the large adjustment need and the ongoing cost-of-living crisis.

Current Risk – Relates to a number of some idle cash balances in the accounts of MDAs outside the

TSA, including internally generated funds (IGFs), and the bulk of donor financed projects accounts held in foreign currencies in at the BSL and commercial banks managed by donor financed projects outside the TSA.

Mitigation – The Finance Act 2019 passed with amendments to the Finance Act 2017 to address Revenue Administration, Fiscal Management and Control for TSA operations requiring that all government revenues (including IGFs) are paid into the consolidated fund (CF). In addition, full implementation of Phases II and III of the TSA will ensure that all sub-vented and semiautonomous entities as well as donor funded projects accounts are included in the TSA architecture. Moreover, GoSL continues to monitor and update the inventory of bank accounts at the BSL, ensuring that all foreign currency accounts remain at the BSL and linked to the TSA. There had also been a recent direction by the MoF requiring all donor funded projects to open their operation account at the BSL, which will facilitate Phase III of the TSA implementation.

Current Risk – Relates to debt accumulation and risks to debt sustainability.

Mitigation – The GoSL adopted a Medium-Term Debt Management Strategy (MTDS, 2021-25) which aims to reduce short-term domestic debt and use more of highly concessional external debt whilst prioritizing clearing of legacy domestic arrears.

Overall rating- The overall risk rating for the treasury sub-system is Substantial, in May 2024.

3.2.3 Accounting and reporting sub-system

Review and performance- Sections 8 & 9 of the PFMA 2016 and related Regulations outline the roles and responsibilities of the Accountant General (AGD) in GOSL accounting, recording, financial reporting and maintenance of accounting records. The AGD consistently prepares the GoSL accounts in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis as required by section 83 of the PFMA. The FY2020, FY2021 and FY2022 consolidated fund financial statements appear comprehensive with adequate disclosures including detailed notes to the accounts and significant accounting policies consistent with IPSAS Cash Basis. The Auditor General expressed a qualified opinion on the 2020 financial statements of the consolidated fund due to "Insufficient audit evidence to determine the accuracy and completeness of the revenue reported in the Financial Statements". There were improvements however in 2021 and 2022 and the audit opinion on the financial statements of the consolidated fund for these financial years were unqualified. The 2022 PEFA report noted that the overall financial data integrity process has improved due to the establishment of a team in charge of verifying financial data and wider deployment of IFMIS. The Accountant General has consistently submitted to the AG on time the annual accounts of FY 2020, FY2021, FY2022 and FY2023 in accordance with section 86 (1) of the PFMA 2016 and Section 119(2) of the 1991 Constitution of Sierra Leone.

There has been an upgrade of IFMIS from classic version 6.5e to GRP version 7.0, web based coupled with wider deployment of IFMIS and introduction of new chart of accounts (containing 33 digits consistent with Government Finance Statistics (GFS) 2014) integrated into IFMIS have resulted in significant improvements in the quality of financial reporting, data transparency and timeliness of accounts preparation. Subsequently, the AGD in collaboration with the Budget Bureau, Public Financial Management Reform Division (PFMRD) and the Directorate of Financial Management Systems and Technology (DFMST) have carried out intense capacity building/ certification for twenty-three (23) super-users on the on the operation and functionalities of IFMIS and charged with the responsibility to train and support other functional users.

IFMIS has been rollout to about 71 MDAs of which full rollout has been achieved for all MDs and aims to ensure that the Agencies are able to process transactions from their accounts. Deployment to the local councils, sub-vented institutions, overseas embassies and donor funded projects. The 2024 budget statement stated that government in 2024 would extend the coverage of the IFMIS to additional twenty MDAs including sub-vented agencies bringing the total to ninety-eight MDAs in

2024. This is to ensure that majority of GOSL expenditures are processed through the IFMIS and avoid overspending and the accumulation of arrears. Furthermore, the automation of the PETS, integrating the ePETS with IFMIS aims to promote budget credibility, reduce bureaucracies on expenditure approvals and enhance timely release of funds and delivery of public goods and services. The 2022 PEFA review noted that the wider deployment of IFMIS has resulted in timely preparation and completion of consolidated annual financial statements leading to the timely completion of external audits in accordance with the law. It further noted that financial data integrity process has improved since 2017 due to the establishment of a payroll quality assurance unit and an M&E unit (in 2019) to check payroll data and financial data integrity respectively. However, there are capacity and infrastructural challenges including internet connectivity and bandwidth hindering the deployment of IFMIS, to the local councils, foreign missions and donor funded projects. The integration of IFMIS with other major GOSL systems including ITAS and ASYCUDA are yet to be fully achieved.

There are 230 budgeted central government bank accounts. Monthly bank reconciliations were performed regularly for all eighty-five (85) Treasury Bank Accounts and also between the AGD and the National Revenue Authority (NRA) for the various categories of revenues collected. The remaining 145 bank accounts held and managed directly by the budget institutions are reconciled monthly within four weeks after the end of the previous month. The AGD produced and published monthly, in the government gazette and the MoF website, fiscal reports of the CF in compliance with the PFM Act 2016 (albeit published late). Similarly, quarterly budget performance reports were produced and published by the AGD on the MoF's website and gazetted in accordance with Section 66 (2) of the PFM Act 2016. The annual financial statements of the Consolidated Fund) for FY20224, FY2023 and preceding years, were produced and submitted to the Auditor General on time in accordance with Section 87(1) of the PFM Act 2016. The unaudited financial statements of the CF were also published on the MoF website, whilst the audited reports were published on the websites of Audit Service Sierra Leone (ASSL) and MoF.

There are 22 local councils and 149 chiefdoms. The local councils (LCs) use Petra Accounting Software for financial reporting which is compatible with IFMIS and chart of accounts. This has further improved accounting and reporting in terms accessing budget releases and justifying returns to AGD. The 2022 PEFA report noted that the submission of annual financial statements by the LCs to GoSL/ASSL has improved and more timely compared to 2017. However, internet connectivity and reliable power supply continue to challenge local authorities affecting the timeliness of processing and producing justification to the AGD. Thus, some LCs occasionally resort to manual processing of returns in order to access additional disbursement allocations with the consequence of operating outside the Petra software.

Current Risk – The local councils, overseas embassies and donor funded projects are yet to be connected the IFMIS with its inbuilt enhanced controls. Moreover, due to internet connectivity and reliable power supply challenges some LCs occasionally resort to manual processing of returns in order to access additional disbursement allocations with the consequence of operating outside the Petra software. Manual accounting and processing compromises overall data integrity and record keeping. Also, the bulk of donor financed projects are self-accounting and not captured in the AG's reports.

Current Risk- The integration of IFMIS with major GOSL systems including ITAS and ASYCUDA are yet to be fully achieved ensuring seamless sharing of information and data in real time.

Mitigation measure- The upgrade of IFMIS to version 7.0, web based and introduction of new chart of accounts (containing 33 digits consistent with Government Finance Statistics) which is more robust, will be integrated with other system, coupled with ICT infrastructure support for connectivity, to the LCs. The deployment is also expected to be extended donor funded projects, overseas embassies, sub-vented agencies, and other government entities to further improve financial data and reporting.

Overall Rating – The overall risk rating for the accounting and reporting sub-system is Moderate, in May 2024.

2.3.4 Internal Control Sub-System

The GOSL Internal Audit (function) is a Department under the MoF. Sections 10(1) and 75 of PFMA 2016 and associated Regulations and PFMA (amended Act) 2023, outline the roles and responsibilities of the Internal Audit (IA) to provide the required framework and guidelines for internal control. There has been amendment to Section 75 of the PFMA 2016 (in 2023) requiring the IA to review implementation of the recommendations of internal audit, Auditor General and other external auditors. The 2022 PEFA review indicated that average coverage of internal audit is at 81.7% by value of total central government expenditures and revenues. It further stated that Nature of internal audit has expanded to include evaluation of the efficiency of internal controls in addition to financial and compliance audits. The IAD is focused on improving the general control environment and deployed Heads of Internal Audit Units and Zonal Coordinators attached to forty-six (46) MDAs heads of internal audit units and zonal coordinators to 46MDAs and established about 28 Audit Committees in MDAs. To overcome the ineffectiveness of the audit committees at the MDAs and Local Council levels the GOSL has established a five (5) member Audit Committee at the Ministry of finance level whose members are seasoned independent professionals in accounting and banking, who ensure that audit recommendations are timely implemented, and applicable sanctions enforced. The implementation of the sanction provisions in the Finance Act 2022, is addressing the implementation of audit recommendations. The GOSL introduced the Standard Operating Procedures (SOPs) which provides a holistic and coordinated Follow-Up on Audit Recommendations and making it mandatory for all MDAs in enhancing accountability in the public sector. Also, an audit recommendation tracking tool has been developed and hosted at the IA Department, and both the IA staff and Audit Service of Sierra Staff trained on its usage which is expected to go life before end of May 2024 for effective tracking/ follow ups on the implementation of audit recommendations. The IA has updated its audit manual and agreed Public Sector Internal Audit Standards (PSIAS, July 2017), which are based on the international standards of the Institute of Internal Auditors (IIA). The IA developed its Strategic Plan for 2022 to 2026, which Plan provides a roadmap for its medium-term direction and also conducted a review of its Internal Audit charter. However, the IA draft bill which is expected to give the IA function independence has long been on the drawing board yet to be presented to legislature.

The Human Resource Management Office (HRMO) manages the recruitment of civil servants and ensures adequate, competent, professional and motivated within the context of national development programs. There is a civil service training policy and civil service codes that guide staff training and performance and promotions. Of great concern is the wage bill which is almost half of government budget and sub-vented agencies keep increasing their payroll numbers each year. The payrolls of civil servants are centralized on the IFMIS and paid by AGD Payroll Section. The HRMO open-source Electronic Records Management System (ERMS) interfaces with payroll activity. The 2022 PEFA report noted that Access to the database is limited to the HRMO and authorized staff of the AGD and results in an audit trail. There is segregation of duties and changes are authorized. The rules in place ensure that the authority and basis for changes to personnel records and the payroll are clear, restricted, generate an audit trail and adequate to ensure full integrity of data. There are regular audits by both the IAD and Auditor General as well and biometric verifications of the payroll and reconciliations to rid it of ghost names and maintain payroll integrity. While the upgrade of IFMIS to version 7.0, interfacing with the HRMO system and associated controls is expected to are expected to address payroll data integrity, some weaknesses noted by the IA included employees before the approved start dates and payments above approved leave and medical allowances. With the support Foreign Commonwealth Development Office (FCDO) in consultation with other key partners the GOSL developed a Payroll Policy Document, which captures statutory provisions and policy instructions impacting the payroll, and reform areas, serving as a guide for administering and addressing challenges in the GOSL payroll. The 2022 PEFA review indicated that the nature and standards of audit have improved with more risk-based audits and internal control evaluations.

Current Risk- While the upgrade of IFMIS version 7.0 interfacing with the HRMO system and associated is expected to address payroll data integrity, there are still some challenges with payroll including sub-vented agencies and foreign embassies, creating an upward pressure on the wage bill.

Mitigation measure- The upgrade of IFMIS to version 7.0, being deployed to all sub-vented agencies is expected will further improve the controls over the wage bill. With sustained gains from payroll reforms from the ended IMF ECF, the GOSL with the support of FCDO in collaboration with other key partners has developed and launched a Payroll Policy Document, which captures statutory provisions and policy instructions impacting the payroll, and reform areas, serving as a guide for administering and addressing challenges in the payroll.

Overall Rating – The overall risk rating for the internal control sub-system is Substantial, in May 2024.

2.3.5 Legislative Scrutiny and External Audit Sub-System

Review and performance- Section 119 of the 1991 Constitution of Sierra Leone and sections 11 and 12 of the Audit Service Act of 2014, give the Auditor General the legal mandate to independently audit government accounts and report to Parliament. ASSL Act 2014 has been amended in 2023, providing for the eligibility criteria for the appointment of the Auditor General, the financial independence and budget autonomy of the Audit Service and other related matters. The PFMA 2016 and regulations also outline the role and responsibilities of AG. The remuneration package and removal from office are enshrined in the constitution and the removal from office is comparable to a Judge of the Superior Court of Judicature. However, same Section 119 of the constitution reserves the power of the president to revoke the appointment of the AG, which constitutes a limitation on the independence and powers of the AG. Legally, the AG is responsible for auditing on the Public Accounts of Sierra Leone and all public offices including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporations or other bodies established wholly and partly by an Act of Parliament.

The ASSL had consistently submitted to Parliament its audit reports of the annual accounts of consolidated Fund for FY 2020, FY2021, and FY2022, in accordance in accordance with Section 119 (4) of the 1991 Constitution of Sierra Leone. The audit of the FY2023 has commenced, the final reports are expected to submitted Parliament before December 2022. International standards of supreme audit institutions (ISSAIs) are applied by the AG in executing the audits and the coverage had above 85% of government expenditure. Unlike prior years, the AG expressed an unqualified opinion for the 2021 and 2022 annual accounts of the consolidated fund and all the AG reports issued are published on the ASSL website (https://www.auditservice.gov.sl/). The ASSL also carried out specialized audits including: Compliance audits, (a) Performance Audits on- (i) the Utilization and Monitoring of Tied Grants by the Freetown City Council March 2024, (ii) the Distribution of Water Supply in the Western Area by the Guma Valley Water Company, (iii) the Management of Public Debt by the Ministry of Finance July 2022, (iv) the Implementation of the School Feeding Programme July 2022, etc.; (b) Compliance Audits; (c) IT systems audits and (d) Procurement Audits. The ASSL also performs audits of donor funded projects, Public Enterprises and Sub-vented Agencies (SVAs), as part of its legal mandate.

Section 28 of the Audit Service (amended) Act 2023, requires the budget proposal of the ASSL to be prepared and submitted to Parliament and Parliament shall ensure that any Appropriation Bill passed, has made adequate provision for the budgetary requirement of the ASSL. This amendment has removed the subjection of ASSL annual budgets to the strict ceilings of the MOF. However, there have been delays in the releases of budgetary allocations from the MOF, affecting the timing and execution of activities of the ASSL. Furthermore, by legislation, ASSL can now retain non-sub-vented fees accrued in the course of its activities, although this may have consequence for TSA.

On legislative scrutiny, there have been delays in concluding the Public Accounts Committee (PAC) hearings, formulating recommendations and tabling the PAC report to Parliament. It was noted that the published reports of PAC on their website dated 2017. The 2022 PEFA also highlighted prolonged delays in tabling and publication of the PAC reports. For the fiscal years 2018 to 2020 the hearings of Public Accounts Committee (PAC) were held in public including live media coverage/broadcast but the PAC reports for these years have not yet been published, only 2017 PAC report has been published on their website (https://www.parliament.gov.sl/). In 2016 PAC organized accountability conference for the local chiefdom and schools' authorities in the provinces to create public awareness on legislative scrutiny procedures and improve accountability. The 2022 PFEA report confirmed that PAC issues recommendations to be implemented by the executive after scrutiny of external audit reports, however, PAC has no systematic framework to follow up on its recommendations. Generally, the implementation of audit recommendations is low as aforementioned, and the IAD by the PFMA (amended) Act 2023 is mandated to monitor the implementation of all audit recommendations. The GOSL has developed a tool which is hosted by the IAD for monitoring the implementation of audit recommendations in real time. Furthermore, the GoSL passed the Finance Act 2022, aimed at addressing the implementation of audit recommendations. To ensure that audit issues in MDAs are adequately resolved and Vote Controllers implement recommendations in a timely manner, there are: (i) Government Audit Committee at the MOF level, and (ii) Audit Committees (ACs) reconstituted in 28 MDAs to enforce implementation of audit recommendations. An SOPs has also been developed and rolled out by GOSL which provides a holistic and coordinated follow-up on audit recommendations and making it mandatory for all MDAs in enhancing accountability in the public sector.

Current Risk- The key risk relates to the AG's independence occasioned by constrained resources and delays in releases of funds for timely execution of the AG's budget. There is also an independent risk regarding the arbitrary powers by the President to terminate the AG's appointment.

Mitigation measure- The 1991 constitutions is under review, and it is expected to address the issues of independence regarding the AG. Also, the implementation of the ASSL (amended) Act 2023 and related regulations is expected to address the resource constraints and timely release of funds to the AG once the budget is approved by Parliament.

Overall Rating – the overall risk rating for the Legislative Scrutiny and External Audit sub-system is Moderate, in May 2024.

4.0 Procurement

Introduction

Methodology of the Procurement risk assessment- The current diagnostic work had been conducted based on the Methodology for Assessing Procurement Systems (MAPS) developed by the OECD/Development Assistance Committee (DAC). The Assessment was carried out using legal documents, the Country procurement assessment (BPAR) completed by the Bank in year 2018, others previous ESWs available, and findings of meetings with main stakeholders involved in procurement activities as well as some DPs active in this area in Sierra Leone. Twenty-One (21) sub-indicators were identified as "critical" to assess the conformity of the Borrowers' Procurement System (BPS) with the Bank's fiduciary obligations and should be evaluated without negative impact on Bank-funded operations to allow for the use of BPS. The assessment of the twenty-one (21) critical sub-indicators provides the modality in ensuring that the public procurement regulatory and institutional framework in force, allows for transparent, equitable and competitive public procurement, and has functional mechanisms to: (i) deal with dispute resolution in a fair and transparent manner, (ii) carry-out internal/external controls and regular public procurement audits, (iii) manage complaints in a transparent and equitable manner throughout the procurement process, and (iv) detect and sanction prohibited practices in public procurement. The outcome of the assessment and findings are presented below, including summary of the country procurement risk rating.

4.1: Pillar I - Legislative and Regulatory Framework

4.1.1 Legislative and Regulatory Framework- The public procurement framework of Sierra Leone is reinforced by the Public Procurement Act (PPA) 2004 which was replaced by the 2016 PPA. The Act is anchored on internationally recognized best practices supported by fundamental principles including : (i) comprehensive, transparent legal and institutional framework; (ii) clear and standardized procurement procedures and standard tender documents; (iii) independent control system; (iv) proficient procurement staff; and (v) anti- corruption measures. The Act applies to the procurement of goods, works and services, including any procurement financed in whole or in part from public or donor funds covering the entire procurement cycle commencing with solicitation and ending with contract management including disposal of stores and equipment. The Act provides that if Government of Sierra Leone enters into an agreement as a result of a loan or grant, with an international donor, the procurement policy included in the Financing Agreement will prevail.

The Procurement Regulation and Standard Bidding Documents have been revised in April 2020 and published on the National Public Procurement authority's (NPPA) website: (https://www.publicprocurement.gov.sl/) and are currently in use. The revised Regulation and SBD are providing guidance on the use of the updated PPA. The Procurement Manual has also been approved and published in August 2020 and is also in use. Sierra Leone's Public Procurement Act also provides that public procurement should be conducted in line with core principles of economy, efficiency, and transparency. This is evident by its comprehensive applicability and accessibility, mandatory procurement planning, provision of a regulatory authority, concise complaint procedures, the desire to use competitive procurement method, publication of specific procurement notices and contract award required, the clarity of procurement methods to be used facilitated by a guidelines explaining circumstance when each of them are suitable, clearly defined bid opening and evaluation procedures, and fundamental framework for contracting and contract management.

The revised Procurement Regulation and manual includes conditions for the participation of Government-owned enterprises in procurement processes and the application of margin of domestic preference no longer restricted to NCBs as it was the case. Indeed, the regulation provides that its application be conducted in accordance with any rules or schemes for margin of preference issued by the Authority through circulars. The percentage of preference in schemes issued by the Authority shall be between 5 and 12 %and the Authority may review these percentages periodically the revised SBD for works complies with international standard and can therefore be used for the procurement of NCB contracts.

4.1.2 Current Risks: Though the revised Procurement Manual, related Regulations and Standard Bidding Documents have been published, implementation is still at its initial stage as training and awareness raising are limited owing to resource constraint. The need for a robust capacity building still exist to realize the full impact of the revised PPA 2016.

4.1.3 Mitigation Measures: The NPPA continuous to make significant progress in strengthening public procurement in different areas including regulatory reforms, production of quarterly price norms and also developed and rolled out a National Capacity Building Strategy and a National Procurement curriculum to ensure that procurement officers have the relevant tools and training to undertake public procurement activities, ensuring value for money, and promotes transparency and accountability in public procurement.

4.1.4 Overall risk rating: The overall risk rating attributed to Pillar I is Low, in May 2024.

4.2 Pillar II- Institutional Framework and Management Capacity

4.2.1 Pillar II: Institutional Framework and Management Capacity- The procurement institutional framework is robust in terms of structural arrangements and the assignment of critical roles and responsibilities is suitably distributed. The PPA 2016 provides for the creation and existence of the National Public Procurement Authority (NPPA) as a body corporate, having perpetual succession and could be sued in its corporate name and, subject to this Act, of performing all such acts as bodies corporate may by law perform. The NPPA formulate policies and standards on public procurement, capacity building and human resource development for public procurement, disseminate information about the system, promote awareness of the public procurement system and maintain and issue on a regular basis to all procuring entities a list of suspended suppliers, contractors and consultants. The authority also publishes in the Public Procurement Bulletin or newspaper with wide national circulation or the electronic media, has a database of suppliers, contractors and consultants, and records of prices to assist in the work of procuring entities. The capacity building plan is in place for the Procurement Authority's staff but no funding is available for its execution hence the capacity remains low in terms of training and logistics to operate efficiently.

The practice of prior review of procurement documents by the procurement authority was flagged in the original CFRA and the MTR version as well. Currently, the prior review of procurement transactions by the Procurement Regulatory Authority have been restricted to procurement transactions above SLE 1,000,000 equivalent to USD 50,000 as opposed to the review of all transactions. The PPA 2016 provides for the establishment of a body known as the Independent Procurement Review Panel, referred to in this Act as "the Panel", for the purpose of conducting independent administrative review of challenges to the process of the award of decisions and complaints arising out of this Act. According to the PEFA report 2018, "Members of the Independent Procurement Review Panel (IPRP) are not involved in any capacity in the procurement process leading to contract award" The PEFA report also confirmed that the complaint management system in place meets standard practice requirements and the frequency of the rate of publication of procurement information on the website has also improved.

4.2.2 Current risks:- (i) Participation of NPPA as the regulatory body in procurement operations; (ii) Poor performance due to the lack of adequate technical expertise of NPPA Staff despite additional recruitment made.

4.2.3 Mitigation measures:- (i) Revise the PPA and its Regulation to exclude NPPA from participating in the procurement process to fully align the PPA with international standards; (ii) Increase resource mobilization efforts aimed at increasing allocation to NPPA; (iii) Develop a robust capacity building strategy to increase capacity levels of existing and new staff of NPPA enabling them to function in their various positions.

4.2.4 Overall risk rating: -In the light of the above inadequacies of the system, the overall risk rating is High in May 2024.

4.3 Pillar III - Procurement Operations and Market Practices

4.3.1 Pillar III: Procurement Operations and Market Practices-The provisions of the 2016 PPA are anchored on conducting competitive procurement processes with the goal of achieving value for money. Nevertheless, the splitting of contracts by procuring entities to avoid the use of competitive procurement methods is common thereby deviating from the requirement of the procurement plan and PPA 2016 The root of a procurement cycle is procurement planning which captures the entire procurement process including the payment system managed by the Ministry of Finance. However, the inadequate coordination that exist in the utilization of these documents leads to considerable payment delays. According to the PEFA report 2018 "Procurement plans, bid opportunities and contract awards are published on NPPA website individually and timely by MDAs".

Sierra Leone does not have enforceable arbitration laws. The Government of Sierra Leone (GoSL) is not a party to the 1958 convention New York convention on the recognition and enforcement of foreign Arbitral awards. Consequently, foreign arbitration awards are not as a general rule entitled to recognition and enforcement in Sierra Leone. Arbitration in Sierra Leone is conducted on an ad hoc basis as there is no arbitration institute to provide structure and guide proceedings. The legal framework does not provide for procedures that enables the winner of a dispute to seek enforcement of redress or arbitration award by going to court.

The PPA includes provision for contract administration, but the Regulations provides detailed guidance for contract management and amendment including acceptance of both imported and locally sourced goods. The approved Procurement Manual gives more guidance on the administration of contracts. In spite of these guidelines, the low contract management capacity across the board remains one of the main areas of operational challenge. The issue of persistent delays in payment of contractors, suppliers and consultants leading to cost over runs is still a common practice. The budget and procurement plans are not realistic enough to minimize this practice as the unplanned activities and incorrect budget forecast continue to undermine progress on this front. The procurement capacity in the MDAs has been assessed as less than optimal as the number of procurement officers available is less than the number needed to service the system.

The capacity of Procurement Officers of Ministries, Department and Agencies who were recruited to strengthen the country systems is low as they haven't benefited from any formal training since recruitment, and it is impacting negatively on the quality of their work output. Consequently, adequate resource allocation to procurement reform activities is urgently needed to trigger consistent operational efficiency. The existing procurement directorate of the Ministry of Finance whose responsibility is to primarily manage the procurement cadre has recruited additional staff to efficiently discharge its functions.

The NPPA conducts a procurement forum annually that brings together the public sector, private sector, civil society and development partners to address issues related to public procurement. The NPPA has a global capacity building strategy in place targeting to build the capacity of public and private sector operatives. The major limitation that is associated with the public procurement market is limited access to credit facilities and reasonable and enforceable contracting provisions that are seen to fairly distribute risks associated with performance of contracts.

As far as Public-Private Partnership (PPP) is concerned there is a PPP Unit anchored in the office of the President in charge of coordinating all PPP activities and contracts to be signed. The Public-Private Partnership Act ("PPPA") 2014 promotes, facilitates and streamlines conclusion and implementation of public private partnership agreements by contracting authority, to establish a Public Private Partnership Unit.

4.3.2 Current risk:- (i) Breakdown of packages to avoid the use of competitive procurement methods; (ii) delay of payment due to lack of coordination between the planning and the payment services; (iii) absence of enforcement of recognition of foreign arbitration decision as a general rule; (v) Limited human capacity in procurement and contract management (iv) Non-existence of National procurement capacity building Strategy.

4.3.3 Mitigation Measures:- (i) Develop a capacity building strategy for both Procurement Officers and the Private Sector Operatives; (ii) Ministry of Finance in collaboration NPPA should carry out periodic procurement capacity and training needs assessment to ensure that the procurement capacity in the key MDAs are adequate for their respective procurement responsibilities and implement the plan in order to build their capacity; (iii) Further Procurement curriculum for respective levels of competence such as basic, intermediate and advance capacities or proficiencies should be developed and deployed and;

4.3.4 Overall risk rating: - In relation to the risks identified above, the overall risk rating attributed to Pillar III is Substantial, in May 2024.

4.4 Pillar IV- Accountability, Integrity and Transparency

4.4.1 Pillar IV: Accountability, Integrity and Transparency- The new PFMA 2016 and associated

Regulations, have elevated the mandate of the Internal Audit (IA) Unit to a Department under the Ministry of Finance, provide the required framework and guidelines for internal control. The 2018 PEFA confirmed that the internal audit function has been revamped through requiring reporting to an Audit Committee in each agency. The Internal Audit Unit in each agency reports to the Audit Committee (which reports to the Minister for that agency), and to the MOF Internal Audit Department (IAD). The various existing control mechanisms are as follows:

(i) Internal Control- Various internal control oversight functions are included in the PPA 2016 and crucial amongst the lot is the quality assurance and decision-making oversight responsibilities of the Procurement Committees. In addition, Internal Audits are important for the efficient functioning of an internal control system but as a major weakness internal audits are conducted but the recommendations of the reports produced are not implemented in addition to the weak follow-up system. The independence of the internal audit function in Sierra Leone is weak as the Internal Audit is a Department under the Ministry of Finance, whilst internal auditors at the BUs report to their respective BUs vote controllers & Audit Committees and to the Internal Audit Department at the Ministry of Finance. In addition, internal control system needs to be improved to enable it to identify and activate procedures that will detect and mitigate specific risks on time. On the procurement side, the capacity of Internal Auditors to conduct procurement audit is low and no framework exists including manuals and working templates that will provide guidelines for the conduct of procurement audits. It is recommended that procurement audits be carried out on a regular basis especially in entities with high value and high-risk procurements. The Internal and External Audit Agencies with the support of the World Bank have developed a software to monitor the implementation of Audit recommendations.

(ii) External Control- The Audit Service Act 2014 has articulated clearly roles and responsibilities of the Auditor General who is charged with the responsibility to provide external oversight over Government transactions. Section 32(6) of the PPA 2016, precisely requires that records and documents maintained by procuring entities on procurement shall be made available for inspection by the Authority, Anti-Corruption Commission and Auditor-General upon request for review and audit purposes. The Auditor General has increased the scope of audit to include both Performance Audit and Procurement Audit with a separate section for each area established within ASSL. These specialized areas of audit may require capacity building and increased resource allocation to enable ASSL to carry out procurement audit regularly as enshrined in the constitution and the Audit Act. The statutory audit of procurement activities may be relied upon by the NPPA to initiate action geared towards improving the procurement system. The audit system is expected to control and reinforce the integrity of the procurement system but, the required annual procurement audits are not consistently conducted as the latest audit was done in 2016 for high spending MDAs and routine compliance procurement audit are conducted by the AG but no framework exist to guide the procurement audit process and the procurement capacity of ASL should be built to ensure that the scope of the audit is optimized. The collaboration of the Audit Services Sierra Leone (ASSL) and the Procurement Authority has kicked off well with the new management of the Procurement Authority as a MOU is being discussed that will guide the level of collaboration on procurement audit issues. It is anticipated that this proposed arrangement will minimize disagreement on the finding of procurement audit conducted by ASSL.

(iii) Parliamentary Oversight and Audit Report Implementation Committees- The Public Accounts, Committee of Parliament conduct public hearings on audit reports. The Audit Service Act provides that government Ministries Department and Agencies should create Audit Committees charged

with the responsibility of executing recommendations contained in Audit Report. Whilst ASSL conducts external audit annually, the recommendations are not implemented on time or at all and there is no systematic enforcement mechanism for audit queries even after Parliamentary review. ASSL has initiated a formal process to follow-up and report on previously issued audit recommendations but has not yielded a positive result. The Parliamentary Accounts Committee may need to complement the Auditor General's effort by requesting vote controllers and sector audit committees to submit status reports of previous recommendations regularly. The PPA 2016 section 30(1) created a body known as the Independent Procurement Review Panel (IPRP), referred to in this Act as "the Panel", given the responsibility of conducting independent administrative review of challenges to the process of the award of decisions and complaints arising out of this Act. The IPRP consist of a Chairman and two other members with a background in public procurement or public private partnership, from (i) the business community, university, the legal profession and other relevant fields; (ii) the Attorney-General and Minister of Justice; and (iii) the Executive Secretary, Sierra Leone Chamber of Commerce, Industry and Agriculture. The highest level of complaint reviews available in the 2016 PPA is the review by the IPRP. The PPA 2016 does not provide for any appeal against a decision of the Review Panel except going to court, (iv) Ethics and Anti-Corruption in Procurement- The PPA 2016 and Regulations contain provisions addressing corruption, fraud, conflicts of interest, and unethical behavior but are anchored on the Anti-corruption Acts of 2000 and 2008. These documents also set out actions that may be taken regarding such behavior, including potential sanctions. The Anti-Corruption Act, 2008 lists conduct constituting an offence that may subject a public official to administrative, civil and/or criminal penalties, sets out the process of dealing with such matters, and addresses integrity issues generally. A review of the standard bidding documents published on the web site of NPPA concludes that all of the SBDs contains both the Integrity Pact Form signed by the procuring entities and bidders committing to comply with fraud and corruption provision included in the Anti-corruption Act 2008 and a declaration of Conflict of Interest Form also signed by procurement committee and technical evaluation committee indicating that they hold no conflicting interest for procurement process all geared toward prevention of fraud and corruption related activities. Both forms are annexed to the SBDs as annex 8 & 9 respectively. Section 33 of the Act and Regulation 157 prescribe the conduct of public officials. The ethics-related provisions of the Procurement Manual include a "Code of Ethics" governing the conduct of all officials involved in public procurement for the Government of Sierra Leone, and also oblige public procurement officers to follow the Public Service Code and Regulations governing public procurement. All public officers and other persons involved in public procurement are required to provide full cooperation and disclosure to the NPPA and other relevant government authorities, as well as to make a declaration of their assets and liabilities no later than thirty (30) days from assuming responsibility and thirty (30) days after leaving office, to be updated annually and whenever there is a substantial change in assets and liabilities.

4.4.2 Current risks– (i) The weak independence of the internal audit function (ii) Delayed or absence of submission of Internal Audits reports that do not respect the frequency prescribed by the Act; (iii) Absence (or poor) of implementation of Audit recommendations that lead to a non-appliance of correctives measures including sanctions; (iv) Inadequate capacity of the internal auditors and ASSL especially for procurement performance audit.

4.4.3 Mitigation measures: (i) Ensure the timely preparation and submission of Internal Audit report with considerable independence; (ii) The Parliamentary Accounts Committee should complement the Auditor General's effort by requesting vote controllers and sector audit committees to submit status reports of previous recommendations regularly; (iii) ASSL and Internal Audit department should be subjected to continuous training in general and specialised audits to gain proficiency and enhance efficiency in the system.

4.4.4 Overall risk rating: In view of the risks identified above, the overall risk rating attributed to Pillar IV is Moderate, in May 2024.

5.0 Governance and Corruption

5.1.1 Progress in governance indicators: Various indicators reveal some progress in the governance environment while challenges remain. Sierra Leone has made progress in major governance indicators. In the Mo Ibrahim Index, Sierra Leone has shown significant improvements – it ranked 24 out of 54 African countries in 2019 with a score of 51.0 above the African average of 48.8 which was a 9 points improvement over the last decade. In the Corruption Perception Index (CPI), Sierra Leone's score increased from 22/100 in 2006 to 35/100 in 2023 which is an indication of progress in combatting corruption even though corruption persists. Sierra Leone's Country Policy and Institutional Assessment (CPIA) score declined slightly from 3.4 in 2010 to 3.2 in 2020 ranking it 25 out of 37 countries. The scores are also below the African average. On the Global Peace Index (GPI), Sierra Leone ranks at the third most peaceful country in Africa with a score of 1.792 in 2023. Sierra Leone has shown a minor decline in the Human Development Index (HDI). Sierra Leone's HDI value for 2022 was 0.458 a decline from the 2021 value is 0.477, which puts the country in the low human development category and positions it at 184 out of 195 countries and territories. Revenue mobilization remains a significant issue in recent times due to the lack of implementation of revenue measures in the 2023 and 2024 Finance Acts and the capacity challenges the National Revenue Authority faces in respect to compliance. Sierra Leone's tax to GDP ratio target for 2014 is 14% which is below the required level for financing SDGs. A rebasing of the GDP will lower the ratio to about 8% further exacerbating fiscal constraints. Additional challenges include illicit financial flows, money laundering and corruption exacerbating by a large informal economy, weak border controls and insufficient AML/CFT enforcement. While Sierra Leone has made progress it continues to face challenges in revenue mobilization and corruption which will require efforts to implement relevant revenue increasing measures in the 2023 and 2024 Finance Acts and supporting capacity building in strengthening institutional, legal, regulatory and AML/CFT frameworks in key sectors.

5.1.2 Current Risk – High debt-to-GDP ratio of over 80%, slowdown in economic activities coupled with limited social and infrastructural facilities, reduction in the global prices of commodities and a rebasing of GDP that will reduce the tax-to-GDP ratio which will exacerbate an already weak and fragile situation.

5.1.3 Mitigation – The government in January 2024 launched Sierra Leone's Medium Term National Development Plant (MTNDP) 2024-2030 in line with meeting the UN's Sustainable Development Goals. The plan is expected to provide a roadmap to adding jobs for the youth, boosting agricultural productivity and revamping the public service among others by prioritizing investment in domestic productivity and domestic revenue mobilization.

5.1.4 Overall rating- The overall risk rating of the governance sub-system is rated as Substantial as of May 2024.

6.0 Key fiduciary risks and Bank strategy in Sierra Leone

This section summarizes the key fiduciary risk not addressed in the current PFM reforms, recommends some safeguard measures and summarizes the Bank's fiduciary strategy in supporting operations in Sierra Leone.

6.1 Key fiduciary risk not addressed by the existing PFM reforms- The key risks not addressed in the existing PFM reforms relate to the incidence unexpected shocks arising from the impact the covid-19 global pandemic, the multiple shocks and national security on the overall PFM, and human capacity challenges in the public sector. The revision of the 1991 constitution and the draft bill which is expected to provide legal and structural independence of the internal audit function has long been on the drawing board yet to be presented to legislature.

6.2 Safeguards to mitigate key fiduciary risks – The implementation of the new PFM reform strategy and plan 2023-2027 and the Medium-Term National Development Plan (MTNDP) 2024-2030 developed and by GOSL need to be supported and monitored through the following: (a) Endorse the new PFM strategy and plan (2023-2027) and MTNDP (2024-2030) as well as monitor their implementation through by the MOF; (b) Continue to use the PFM sector working group as the main dialogue group among donors and GOSL; (c) Provide adequate funding for the key elements of agreed PFM reforms; (d) Continue to support IFMIS driven reforms and ensure the upgraded version 7.0 with fully deployed to all MDAs, LCs, and donor funded projects; (f) Provide support to oversight institutions such including the ASSL, IAD, PPA and PAC to further enhance the accountability environment; (g) Focus on constitutional reform of the ASSL and the legal independence of the IAD respectively; on structural reform of the internal audit covering independence and oversight; (h) Support reforms under the AGD to improve the quality and timeliness of financial reports submission from the LCs; (i) Focus on capacity building of the ASSL to enable the AG carry out specialised- procurement audits, performance audits and forensic audit; (j) Support capacity building initiatives especially at the operational levels of key fiduciary institutions; and (k) Support reforms that facilitate full implementation of the TSA.

6.3 The Bank Fiduciary Strategy in Sierra Leone and Level of Recommended Use of Country PFM System.

Level of recommended use of Country PFM System – Bank's decision to use the country's public finance management system takes into consideration the Sierra Leone's PFM systems, the Bank's guidelines, practices and risk tolerances, national preferences, and other factors such as perceived governance and transparency as well as risk mitigating measures.

The overall country fiduciary risk is reassessed as Substantial, thereby permitting the Bank to adopt an approach based on partial use of the country systems. The country fiduciary risk will be continuously addressed during the CSP implementation period and adjusted as justified for the use of any sub-component for which the risk is significantly mitigated. In this regard, the proposed FM strategy for managing the implementation of investment operations, PBOs and Other Instruments, will be per the following three (3) respective approaches:

(A) for investment projects: A case-by-case approach is recommended, which would be based on the outcome of the FM capacity assessment of the executing agency undertaken by the Bank's Financial Management Specialist (FMS) and the proposed implementation arrangements thereon. For instance: Public investment projects/programs will use:- (i) existing public system implementation procedures and control systems subject to the existence of sound Financial Management systems and procedures within the implementing Units/Agencies, which have been

duly assessed by the Bank's FMS; (ii) Where there is an internal audit function within the EA or the host Ministry, the IA acts in the same capacity for the project and will periodically review the project operations and provide internal checks to strengthen, the overall project's control environment; (iii) Accounting and financial reporting will follow the IPSAS in accordance with Section 87 of PFMA 2016 and related Regulations; (iv) Regarding Treasury Management, where special account is required, the project will open its accounts domiciled at the Bank of Sierra Leone, and where it is not possible by virtue of location consideration will be given, with the approval of the Accountant General for the SA to be opened at an acceptable commercial bank; and (v) During the implementation period, the ASSL will be in charge of the audit of Bank financed operations in line with her constitutional mandate and Audit Service Act 2014. Where the ASSL is not able to carry out the audit, the Auditor General will lead the recruitment of an independent external private audit firm (using an approved list of audit firms acceptable to the Bank and undertaking the audit under its authority and mandate) through a competitive process.

(B) PBOs: PBOs will be assessed on their own merits and specific fiduciary measures incorporated (where applicable) to ensure that funds disbursed by the Bank are, timely and accurately transferred into the consolidated fund and assurance derived from the AG's audit reports issued on the consolidated fund account during the PBO period. Budget Support operations including those for emergency can be channelled through the use of the public spending systems, subject to keeping track /implementation of key medium-term mitigation measures, including submission of consolidated fund audit report by the Auditor General, rolling out of IFMIS to all MDAs & LCs, Containment of wage bill, etc. The Bank will reserve the right to request audits of flow of funds and/or of the performance of programs as it deems necessary.

(C) Results-Based Financing (RBFs): The Bank strategy will provide due consideration to sector specific performance and each operation will be assessed on its merits and the specific fiduciary measures/ arrangements will be defined based on the due diligence carried out by the Bank's fiduciary team.

(D) Other instruments: such as Partial Risk Guarantees (PRGs), Trust funds (TFs) and others which have guiding documents in line with the grant agreements signed between the Bank and the donor, the Bank's strategy will be guided by the provisions of the respective agreements.

The above PFM strategy was monitored during the CSP (2020-2024) implementation period, and it had been consistently applied in Bank financed interventions in Sierra Leone.

6.4 Country Procurement Strategy

6.4.1 On the level of use of Country Procurement System- For Bank financed investment projects, the Bank's strategy will give consideration for the country public procurement system for low and medium size packages as the risk for the use in Bank's project is moderate but will commonly use its own procurement system for main and big size procurement packages. The level of use of Country system will gradually increase based on reform pace and actual performance on the ground.

6.4.2 On Joint co-financed projects with Other Partners- The Bank will take initiatives to put in place harmonized fiduciary arrangements for the Bank's operations co-financed with other DPs by either using its procurement system or the systems of the partners if justified and that a Mutual reliance agreement exist or being developed for purpose.

6.4.3 On Procurement reforms and PBO- To ensure appropriate coverage of PFM reforms in general and procurement in particular, the Bank will maintain active dialogue with the GoSL and work closely with other DPs in the country. PBOs that fall within the CSP period will be used as a platform to fast-track procurement reforms activities including them as measures and/or triggers in a view to continuing improving the system. It is planned that during the CSP period, the Bank's institutional support program in collaboration with other DPs will be utilized as a means of stimulating implementation of procurement reform actions and initiatives.

6.4.4 On support to Performance Management of Country Portfolio: The GoSL is responsible for the management and monitoring of fiduciary risks. During the last years the portfolio review revealed consistently a challenge in the following aspects : (a) Poor contract management leading to delays in project implementation and (b) Late submission of realistic Procurement Plans. The Bank will work closely with other DPs and support GoSL in the following: (i) Provide technical assistance to resolve procurement related bottlenecks if needed; (ii) Assist implementing entities of Bank's funded projects to submit procurement audit reports on time and in line with the TOR; (iii) Conduct, on a half yearly basis, fiduciary clinics (covering procurement, FM and disbursements) and focused on training on specifics challenges faced by the portfolio during the past years as reported above.

The above Procurement strategy is consistently applied in Bank financed interventions in Sierra Leone.

Summary Table – Fiduciary Risk Sierra Leone

PFM	Budget	Substantial	Substantial
	Treasury	Substantial	
	Accounting and Reporting	Moderate	
	Internal Control	Substantial	
	Legislative Scrutiny and External Audit	Moderate	
Governance	Governance and anti-corruption	Substantial	Substantiel
Procurement	Pillar I - Legislative and Regulatory Framework	Low	Substantial
	Pillar II- Institutional Framework and Management Capacity	High	
	Pillar III - Procurement Operations and Market Practices	Substantial	
	Pillar IV- Accountability, Integrity and Transparency	Moderate	
Overall Country Fiduciary Risk			Substantial

Annex A. 18: Donor Mapping

Partner	Pilla1: Economic Diversification to Promote Inclusive Growth			Pillar 2: Managing Natural Resources		Pillar 3: Accelerating Human Development			Pillar 4: International Competitiveness				Pillar 5: Labour and Employment	Pillar 6: Strengthening Social Protection	Pillar 7: Governance and Public Sector			Pillar 8: Gender Equality and Women's Empowerment
Pillar sub-sector	Agriculture	Fisheries	Tourism	Mining	Environment	Health	Education	Water and Sanitation	Energy	Roads	ICT	Business Reforms			Political Governance	Public Sector Management	Economic Governance	
AFDB	■				■			■	■	■			■				■	■
UK/FCDO	■			■	■	■	■	■	■			■			■	■	■	■
EU	■	■			■	■	■	■	■	■	■	■			■	■	■	
Germany	■			■	■		■						■	■				
Ireland	■					■	■							■	■			■
China	■	■	■	■				■	■	■			■					
Japan/JICA	■	■				■	■	■	■									
USA/USAID	■				■										■		■	■
USA - MCC								■	■	■								■
World Bank	■			■	■	■	■	■	■			■	■	■	■	■	■	
IFC	■								■		■	■						
IFM				■												■	■	
UNDP	■	■	■	■	■	■	■	■					■	■	■	■	■	
UNICEF						■	■	■						■	■	■		■
WFP	■	■				■	■	■										
WHO						■		■										
FAO	■	■			■				■									
UN WOMEN						■	■								■			■
UNAIDS						■	■											
UNIDO	■								■				■					
IsDB	■					■	■			■	■			■				

Annex A.19: Note on Environmental and Social Consideration

Generally, Sierra Leone is located at latitude 8.4606°N and longitude 11.7799°W and covers an area of 71,740 km^2. It shares its southeastern border with Liberia and is bordered by Guinea to the north. It has a population of 8,605,718 (2022) of which 58% falls within the ages of 15 to 64. Life expectancy is at 60 and it has a growth rate of 2.2% per annum. It has a predominantly hot and humid tropical climate with two distinct seasons. The Dry Season (November to April) is dominated by winds from the northeast (i.e. the North-east trades), and the rainy season (May to October). Both seasons may have some variations in the commencement and duration. Average temperatures range from 25–27°C, with slightly lower temperatures (22–25°C) during the wet season.

Sierra Leone's predominant natural vegetation is the western extremity of the Upper Guinean Forest formation, though much of the forest is now degraded and occupied by agricultural land, savannas and other secondary vegetation. Approximately 70% of the country was formerly covered by forest, but less than 5% of original intact forest remains. Nevertheless, the country contains rich indigenous flora and fauna including important endemic species, and internationally rare and threatened species.

Indigenous flora and fauna exceed 2000 species of vascular plants, 46 amphibians, 69 reptiles and 600 bird species. Almost 200 species of mammals include 15 primates and 18 antelopes. Of these at least 27 vertebrate species and 47 vascular plant species are recognized as globally threatened. The Gola Forest alone has 14 bird species of global conservation concern. As more information is gathered on more cryptic or less studied groups, the number of species overall will increase along with the number or endemic and/or threatened species.

Currently 48 forest reserves and conservation areas cover about 4% of the land area of Sierra Leone. However, Outamba Kilimi National Park and Tiwai Island Wildlife Sanctuary are the only areas gazetted primarily for wildlife conservation (though other areas are informally designated as such), which combined comprise approximately 1.5% of the national land area. Currently there are no marine protected areas. The national Biodiversity Strategic Action Plan identified other priority areas for conservation: Gola Forest Reserves, the Western Area Peninsula Forest Reserve, Loma -Tingi Complex, Outamba Kilimi National Park, Mamuta Mayoso, Yawri Bay, Lakes Mape and Mabesi and Kangari Hills, which combined would bring the national wildlife conservation estate to about 2.5% of total land area, and which are projected to contain 80-90% of the country's terrestrial indigenous flora and fauna.

Sierra Leone has over 2000 species of vascular plants including 74 endemic species to the West African sub-region and 90 species listed as threatened and near threatened based on IUCN (2016). There are well over 1900 terrestrial fauna and aquatic fauna of various phyla and classes as shown in Table 2 (excluding other invertebrates); the IUCN (2017) conservation status for various taxa, are also indicated.

Environmental issues: Deforestation is a major environmental challenge in Sierra Leone. Agricultural lands are gradually replacing forestlands due to the need for food by a population that increased by 80% during the period between 1963 and 1990 and has a current annual population growth of 2.2%[4]. Population and urbanization have also intensified the need for increased agricultural output and fuelwood, and this has resulted in soil depletion, cattle grazing, lumbering, and slash-and-burn farming which collectively have decimated the primary forests. By 1985, deforestation had progressed to a total of 23 square miles.

[4] https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=SL

Water pollution is another significant concern in Sierra Leone due to mining by-products and sewage. The nation has 160 cubic kilometers of renewable water resource, with 89% being used for farming and 4% for industrial purposes. Only 75% of the nation's city dwellers and 46% of those living in rural areas respectively have safe drinking water.

In 2013, GHG emissions from changes in land-use and forestry accounted for about 51.3% of the country's total emissions. Agriculture was the second most significant source of emissions (25.7%) with rice cultivation and enteric fermentation from livestock contributing 58% of agricultural emissions.

Climate change also affects the country particularly in the area of coastal floods and erosion. According to the UNNFCC about 4.6metres of coastline is lost annually in some locations such as Konakridee, Lumley, Lakka, and Hamilton. Coastal erosion has resulted in loss of private and public property along the northern sector of the coastline as well as posing threat to northern sector of the coastline.

Socio-economic Issues: The major socio-economic challenges in the country include unemployment and low productivity. Other social challenges include poverty and by 2021 it was estimated that 59.2% of the population is multidimensionally poor while an additional 21.3% is classified as vulnerable to multidimensional poverty. The Government has neglected education since the end of the civil war resulting in, among other things, a lack of skills at all levels, which was revealed during the Ebola epidemic. Rising inflation mainly due to rising food, fuel, healthcare challenges and access and exclusion among vulnerable groups, children, and their families. Additionally, access to safe water remains challenging in urban and rural areas due to capacity, and the lack of investment in the water and sanitation sector. The country's health sector also faces a shortage of skilled professionals and healthcare staff which was estimated at 0.07 per 1,000 people in 2020, according to the World Bank. There is also eroded infrastructure with ill-equipped hospitals, and a lack of essential medicines and commodities.

Key Acts and Regulations

Environment Protection Agency Act No. 15 of 2022: This Act establishes the Environment Protection Agency and is the principal legislation governing environmental protection in Sierra Leone. The Act mandates the Agency with the function of issuance of Environmental Impact Assessment license, conduct research, monitoring environmental impacts of the activities of companies, ensure compliance with laid down environmental laws, investigation of environmental complaints from the public, develop environmental policies for the protection of human health and the environment, maintains data on environmental quality, raise awareness etc. it is the agency relevant for institutional coordination to monitor and evaluate the implementation of project Environmental and Social Impact Assessments (ESIAs).

The National Development Induced Resettlement Act 2023: This Act establishes a Resettlement Department under the Ministry of Planning and Economic Development. The function is to introduce uniform principles to guide the planning, implementation and Monitoring of development induced resettlement activities and to provide guidance to related matters. Part II provides for the establishment of and gives it the mandate to review and approve resettlement management plans as well as issuance of resettlement licenses.

National Protected Area Authority Act No.11 of 2012: This Act came into being to provide for the establishment of the National Protected Area Authority and Conservation Trust Fund, to promote biodiversity conservation, wildlife management, research, sale of ecosystems services in the National Protected Areas and other related matters. It also established the National Protected Area Authority charged with the responsibility to exercise oversight authority over

National Parks and Protected Areas designated for conservation purposes to protect the fauna and flora in its natural state, promote sustainable land use practices and environmental management.

Local Government Act No.26 of 2022: The local government also plays a vital role in collaborating and coordinating activities of the Agency and in line with the Third Schedule of the aforementioned Act, some functions of the Ministry of Environment have been devolved to local council namely; (i) Education and Sensitization on environmental issues (ii) Environmental Management and Protection (iii) Energy Conservation (iv) Replanting of degraded hill slopes, catchments and watershed areas (vi) Urban Tree planting (e.g. parks/ gardens, avenues, trees) (v) Rehabilitation of mined-out areas.

The Forestry Act of 1988: This establishes Forestry Division. The mandate of the Forestry Division now Forestry Department mandate is on promoting multiple-use management of forests for sustainable yields. Prior to the enactment of the National Protected Area Authority and Conservation Trust Fund Act of 2012, the management and protection of forests, wildlife, wetland, protected areas, forest reserves, hunting reserves, national park were all under the Forestry Division. The department is particularly relevant in sectors which the CSP supports.

The Land Commission Act 2022: This Act provides the establishment of the National Land Commission, the District Land Commission and other Land Administrative bodies to secure effective and holistic land administration and to provide for other related matters. The commission is responsible to register and give title deeds to individual, families and community landowners and will arbitrate landownership issues to discourage forceful land acquisition and restriction in land use. It gives opportunity to aggrieved parties to register their grievances for the chiefdom level to the national level. The responsibilities of the implementation of E&S requirements are dependent on a lot of factors. The Environment Protection Agency has the overall responsibility to oversee the conduct of environment impact assessment and monitor the implementation of the recommendations of the studies. However, the agency is not fully capacitated to have offices in every district across the country, therefore it is challenged to compressively monitor all national, subnational and donor funded projects. At subnational level, the environmental and social unit of the Local Councils monitor projects implemented within their jurisdiction whilst the EPA provides oversight.

Country track record on the application of its environmental and social policies: Sierra Leone has extensive E&S policies which largely meet the requirements of the Bank's ISS. The major institution charged with monitoring projects from an E&S perspective in Sierra Leone is the EPA. The EPA itself is well structured with 8 directors and regional staff across the country. It has well established procedure and post monitoring of ESMPs/permits. The ministries of Social Welfare, Employment, Labour & Industrial Relations and the Ministry of Gender and Children Affairs have dedicated directorates with experience directors to deal with social protection, labour and working conditions and Gender protection.

However, there are challenges in implementation of these laws as well as capacity within the country system. For instance, there are logistic challenges with the EPA, Resettlement Department which relate to inadequacy of available monitoring vehicles, inadequate staffing as well as budgetary adequacy. All these pose significant challenges for institutions to implement their mandates as detailed in each of the relevant Acts.

Despite this, there opportunities/provisions in existing regulations which if fully implemented will mitigate the E&S risks until legal reforms are achieved. For instance, The EPA and Induced Resettlement Acts requires the conduct of ESIA and Resettlement Impact Assessment for investment (funded by local FI or MDB), this can be developed into a full fledge regulation. In addition, The EPA and other ministries are willing to undertake legal reforms (review and update the existing regulations)

Track record on the application of Bank's safeguards: project performance

The Portfolio maintains 4 high risk, 7 moderate risks and 3 low risks projects. 14% of the projects in the portfolio was rated satisfactory by the start of January 2024 and closed in at 29% by December 2024. This percentage has increased to about 33% by March 2025. This places Sierra Leone 11th out of 15 countries in the Western region. Generally, the Sierra Leone portfolio only 14% of the projects in the portfolio are rated satisfactory while 86% are partly unsatisfactory. By 2024 ending 50% of these projects were partly unsatisfactory, 33% were satisfactory and 16.67% were unsatisfactory. Across the portfolio, the major challenges responsible for this rating are

- Commencement of civil works without paying full compensation on areas where civil works have started
- Delays in payment of compensations to Project Affected Persons (PAPs)
- Absence of valid EPA licences
- Delays in submission of monthly and quarterly E&S Implementation reports
- Delays in submission of annual Environmental and Social Performance Audits (ESPA)
- Delays in completion of agreed Environmental and Social Action Plans (ESAP)

These delays and challenges listed above are further exacerbated by inadequate capacity of PIUs staff as it relates to implementation of E&S measures. Across the portfolio, there were various levels (low to medium) of E&S capacity across the country portfolio at Project level (PIU) and including government level in terms of implementation, monitoring and supervision. Delays exist in submission of periodic E&S Implementation reports (both quarterly and monthly), annual Environmental and Social Performance Audits, and implementation of agreed Environmental and Social Action Plans which results in the consistent high percentage of projects rated as partly unsatisfactory throughout 2024. However, despite late submission of E&S Implementation reports to the Bank, all high-risk projects (100%) made at least one submission while category 2 projects recorded an 80% submission rate. As of December 2024, all category 1 and 2 projects benefited from at least one physical Implementation Support Mission with visits to the project sites. In addition, projects benefitted from monthly support in the form of periodic meetings organized with Project Implementation Units. Some environmental and social (E&S) implementation challenges associated with projects under implementation were identified and include: (i) delays from project implementing units to submit timely E&S quarterly and monthly E&S implementation reports for category 2 and 1 projects respectively. There were delays in submission of third-party annual E&S performance audit reports which are required for all moderate and high-risk projects in compliance with the Bank's ISS, and (ii) delays in RAP implementation. The E&S department plans to address these challenges through capacity-building sessions for project staff, various agencies, and institutions.

Additionally, there is need to address these challenges through policy dialogue and capacity building. Prioritizing implementation of the action plan contained in the recently conducted country system assessment is paramount. There is need for policy updates especially with the EIA Act, capacity building focused towards key implementers such as the recently created Resettlement Department under the Ministry of Planning and Economic Development. Another key area for policy dialogue would be developing a "one-stop" hybrid E&S guideline document which incorporates all the E&S requirements embedded in existing laws and policies and establish a coordinating body (with representative from all relevant institutions) for the verification of baseline survey results, EIA and RAP reports and monitor the implementation of mitigation measures.

Recommended Programs

The CSP targets energy, transport, water and sanitation and agriculture. These are sectors the Bank is currently supporting in its current Sierra Leone portfolio. In supporting these sectors, it is recommended that the country improves on key areas including (i) turn-around time on issuing EPA permits to projects; and (ii) improving compensation arrangements and implementation of resettlement action plans. It is also recommended that in a bid to build country capacity the newly established Resettlement Department under the Ministry of Planning and Economic Development plays a more roles on Bank funded projects especially those involving resettlement bearing in mind that the sectors being supported (transport, energy, agriculture) are usually associated with resettlement.

In addition, sectors such as agriculture and transport should early in the project design phase of projects should incorporate climate considerations. This is particularly important considering that climate change impacts in Sierra Leone is one of the major environmental issues. In this light, projects should be designed with considerations for climate smart agriculture, sustainable transportation, climate adaptation and resilience. Climate smart agriculture designed to increase yield per hectare is important in future agricultural projects especially as deforestation rate is high in the country. The Bank would on its own part prioritize capacity building on the Bank's ISS and engage more with the PIU and the country.

Conclusions and Recommendations

Environmental and social baseline data relevant to the identified sectoral priorities are presented in the previous sections. Sierra Leone has laws in places in the key sectors the CSP would be funding. However some fo these laws would need some update.

Generally, the implementation of the Bank's updated ISS and its associated instruments to integrate environmental and social safeguards enables the Bank to:

(i) promote the environmental and social benefits associated with its financed operations,
(ii) protect itself from reputational risks,
(iii) protect against the adverse environmental and social these operations could have on the countries
(iv) pursue a more sustainable development approach that can generate benefits in terms of environmental security and human well-being, and
(v) manage the environmental and social trade-offs of the project in the best interest of the respective countries' development objectives. Indeed, the ISS is one of the tools that the Bank uses to promote the well-being of its real Clients, the people of Africa. The assessment of the country's environmental and social system is being finalized. This evaluation is therefore an opportunity to overcome any obvious obstacles to the effective integration of environmental and social considerations in the application of the safeguards.

In view of the development priorities in sectors identified in the CSP, infrastructure projects are expected to be invested in by the Bank. Based on the nature of the country's environmental and social challenges, these interventions would pose significant E&S risks across the country. However, the intervention priorities identified in this CSP would be implemented in accordance with the Bank's environmental and social assessment procedures and national laws. Furthermore, opportunities exist to support and strengthen project level and national capacities to manage environmental and social risks that are related to weak institutional capacity and insufficient human and financial resources in this area.

Annex A. 20: Potential Strategy Risks and Mitigation Measures

Risk Category	Risk Description	Rating	Mitigation Measure	Risk Owner
Political and governance context	The main elections in 2023 were highly contested, leading to protests. Although the implementation of the agreement on national unity restored stability, the political landscape remains polarized because of the high cost of living and limited earning opportunities especially among youth	Medium	Maintain high level continuous country dialogue with the government in collaboration with the Bank Constituency Office	AfDB/Government/DPs
Macroeconomic	Persistence of multiple economic external shocks exacerbating the country's fiscal pressures and debt vulnerabilities.	Medium	Bank will continue to work in close coordination with the IMF and other partners to keep a close watch on macroeconomic developments. The Bank will also continue to prioritise economic diversification in its operations to reduce the country's vulnerability to external shocks.	AfDB/ /Government/ DPs
Institutional Capacity and fiduciary.	Human resource capacity constraints in the project implementing units. There is limited knowledge of Bank procedures, and inadequate capacity in project management	Medium	The Bank will continue to follow up closely on project implementation and provide training to project coordinators, especially on bank procedures. In particular, the Bank will continue to undertake capacity-building through fiduciary clinics, targeted trainings and mainstreaming of capacity building in all operations	AfDB /Government
Climate change	The country is highly vulnerable to climate shocks, experiencing frequent and severe droughts, floods, and coastal erosion, with significant negative impacts on the economy, food security, and human health. Vulnerability to climate change is exacerbated by weak infrastructure and limited adaptive capacity.	High	The Bank will continue to support Sierra Leone in climate action. Operations will continue to be implemented in accordance with the Bank's environmental and social assessment procedures and national laws. Also, the Bank, will continue to identify opportunities to support and strengthen project level and national capacities to manage environmental, climate and social risks.	AfDB /Government

Annex A. 21: Sierra Leone Country Financing Parameters Matrix

Item	Parameter	Remarks/Explanation
Counterpart Funding Limit on the proportion of individual project costs that the Bank may finance	Up to 100 percent	The Bank may finance up to 100 %of counterpart funding in project. However, payment of counterpart funding by the government in a project is a sign of government commitment. Hence the government is encouraged to show this commitment. It also constitutes government contribution to project financing. Where the Government faces difficulties paying counterpart funding, the bank may take over this responsibility.
Taxes and Duties Are there any taxes and duties that the Bank would not finance?	Yes	The principle of exempting Bank-financed projects from taxes and customs duties will remain valid. However, the Bank Group could waive this principle and, on a case-by-case basis, finance taxes and duties associated with project expenditures in Sierra Leone as the country's tax system has a reasonable level of tax and duty rates and taxes are not specifically directed at Bank-financed projects, activities or expenses. If Sierra Leone's tax and customs regime changes significantly during project implementation, the CFP will be reviewed and adjusted accordingly.
Recurrent Costs Any limits that would apply to the overall amount of recurrent expenditures that the Bank may finance.	No country level limits	The Bank Group should be able to finance the recurrent costs up to 100%, on a case-by-case basis in Sierra Leone. The Bank will continue to monitor the overall financial situation, especially the country's commitment and ability to provide continued financing for recurrent expenditures after Bank financing is completed. In addition, Bank staff will continue to calculate the estimated recurrent costs and clearly indicate ways and means of ensuring sustainable financing.
Local Currency Costs Are the requirements for Bank financing of local expenditures met, namely that: (i) financing requirements for the country's development program would exceed the public sector's own resources (e.g., from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects.	Yes	Local currency costs remain eligible for Bank Group financing. The financing policy for local currency costs will continue to be guided by Sierra Leone's financial situation and project specificities. The Bank will continue to finance expenditures in local currency when the financing requirements for the country's program exceed the public sector resources and the expected domestic borrowing level; as well as when the financing of foreign exchange costs alone are not enough to ensure effective implementation of the project under consideration.

END NOTES

[1] https://washdata.org/data/household#!/dashboard/new
[2] National WASH survey and Water point mapping 2016
[3] About 25% of Sierra Leonians lived below the poverty line in 2022 according to the new World Bank's international poverty rate (US$ 2.15 in 2017 PPP).
[4] National Youth Commission Sierra Leone
[5] Accessed at: https://gain.nd.edu/our-work/country-index/download-data/