

**GOVERNMENT OF SIERRA LEONE**

**AID POLICY**



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## 1 INTRODUCTION AND INSTITUTIONAL SETTING

### 1.1. PURPOSE OF CONSULTATIVE AID POLICY

Sierra Leone receives important aid inflows from the bilateral and multilateral donor community. The Government therefore needs to improve coherence between the different development partners as much as it needs to improve structures for aid coordination, harmonisation and alignment. This requirement stems from both international agreements to which Sierra Leone and many of its partners are a signatory such as the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, the OECD DAC Principles for Good International Engagement in Fragile States, and the Government's overarching vision for making aid work efficiently for the people of Sierra Leone. It is also consistent with the internal Memorandum of Understanding between the Government of Sierra Leone and its multi donor budget support partners (MDBS). Accordingly, this document sets out the first ever comprehensive aid policy of the Government of Sierra Leone. It provides guidelines for the mobilisation and implementation of development assistance in Sierra Leone, in order to improve its effectiveness and assert GoSL leadership over its aid inflows. The document is based on previous work and extensive consultations in country with the various stakeholders in development. The consultative process is outlined in Box I below.

It is important to emphasise that although input was sought from all stakeholders in the development process, the final decision on content rested with the Government of Sierra Leone (GoSL), as the leader and driver of the process. In the resulting Aid Policy, all the stakeholders now have a practical blueprint to enhance aid effectiveness and monitor progress. The Aid Policy clearly articulates what the Government will do to make aid more effective, and to ensure that it is directed in a manner that provides maximum impact on economic development and poverty alleviation.

#### **Box I: Consultative Process for Development of Aid Policy**

The Government of Sierra Leone recognised that the process for developing an Aid Policy (AP) should be consultative in order to engender ownership and to build trust between stakeholders on matters relating to aid coordination. The consultative process began in 2007 with a view to developing the aid policy in 2009. The consultative process aimed to ensure that the AP is based on a realistic understanding of the broad perspectives of Government, development partners, and civil society on the principles and operationalisation of aid in Sierra Leone.

The consultation process involved the following main stages:

1. Process commenced 2007 with background work, but stalled prior to and after the elections
2. Process revived by Minister of Finance and Economic development in April 2009
3. Aid Policy consultative document circulated at the May 2009 Development Partners' Committee Meeting (DEPAC)
4. Document circulated to NGOs in Freetown, and through consultations in Districts with CSOs, Councils, and NGOs
5. Written feedback received from Development Partners in July 2009
6. Internal discussion by MoFED to ensure consistency with new structures under the merged Ministry of Finance and Economic Development in August 2009
7. Internal GoSL consultation held in September 2009, comprising all MDAs at Permanent Secretary level
8. Final round of consultations with Development Partners held in October 2009
9. Submission of Aid Policy to Cabinet in October 2009 for consideration and approval

## 1.2. BACKGROUND ON AID VOLUME AND AID EFFECTIVENESS

The Government of Sierra Leone recognises that effective utilisation of aid is imperative to achieving national priorities. Aid is of critical importance to the Sierra Leone economy, providing approximately 18% of GDP<sup>1</sup>. Some of the key attributes of aid are illustrated in the table below:

**Table I: Comparative Aid Indicators**

	<i>aid/GDP<sup>2</sup></i>	<i>aid/imports</i>
<b>SIERRA LEONE<sup>3</sup></b>	<b>18</b>	<b>51</b>
Mozambique	21	45
Tanzania	16	53
Uganda	17	49
African average (medians for top 50% recipients)	22	53

Source: Tony Killick Report (2007) and updates from Development Assistance Report (DAR) 2007-2008

As illustrated in Table I, Sierra Leone is characterised by a high level of aid dependence. Aid dependency increases the vulnerability of the economy through fluctuations in aid volumes and aid delivery. Generally, aid comprises of (i) direct support to various sectors through line ministries (eg agriculture, energy, infrastructure; (ii) untargeted and general budget support (eg debt relief, balance of payments, MDBS); and (iii) general thematic and programme/ project support (eg decentralisation, elections, public service reform, NGOs).

In the immediate post-war period, aid was mainly focused on emergency humanitarian support; but as state institutions were rehabilitated and developed, and peace and security gradually returned and consolidated, there was a corresponding shift to aid for enhancing recovery and development. Approximately 20% of aid currently makes full use of Government systems, flowing in through Direct Budget and Balance of Payments Support. However, like many other fragile states, the vast majority of aid in Sierra Leone is still channelled through project assistance, and a large proportion of this through Non-Governmental Organisations (NGOs)<sup>4</sup>.

In 2008, the Government of Sierra Leone undertook the OECD-DAC survey on Monitoring the Paris Declaration on Aid Effectiveness. This was aimed at collecting baseline data on the Paris Declaration indicators and targets, which are designed to measure the effectiveness of both Government and development partners in internationally agreed principles. The survey also sets targets to be achieved in country by 2010. The results give an indication of the baseline situation and targets for aid effectiveness in Sierra Leone, but it should be stressed that these are reliant on an international rather than national framework of assessment. Results are illustrated in Table II below:

<sup>1</sup> 2007 figure based on DAR and IMF official figures.

<sup>2</sup> Except for Sierra Leone the ratios are aid/GNI.

<sup>3</sup> The Sierra Leone figures are based on DACO estimates for total aid in 2007 (excluding IMF receipts) expressed as percentages of other variables taken from IMF sources.

<sup>4</sup> Of the aid flowing from official sources, approximately 12% currently flows through NGOs only (DAR 2007, 2008). This does not include the funding coming from NGOs own sources.

**Table II: Paris Declaration Survey Results**

Indicators		2007 Sierra Leone	2010 Indicative target
1	Operational development strategies	C	B/A
2a	Reliable PFM systems	3.5	4.0
2b	Reliable procurement systems	B	A
3	Aid reported on budget	54%	77%
4	Coordinated capacity systems	22%	50%
5a	Use of country PFM systems (aid flows and donors)	20%	35%
5b	Use of country procurement systems	38%	51%
6	Parallel PIUs	2	0
7	In year predictability	30%	51%
8	Aid is untied	92%	More than 68%
9	Use of common arrangements (Programme-based)	27%	66%
10a	Joint missions	31%	40%
10 b	Joint analytic work	56%	66%
11	Results-based monitoring framework	D	B/A
12	Reviews of mutual accountability	No	Yes

Source: Paris Declaration Survey (2008)

As illustrated above, Sierra Leone remains well short of internationally agreed targets on Aid Effectiveness. This policy aims to provide a framework through which to address some of these shortcomings.

### 1.3. INSTITUTIONAL BACKGROUND

After ten years of debilitating civil war, Sierra Leone adopted a comprehensive National Recovery Strategy in September 2002 with Government and donors agreeing on a framework for peace, recovery and development. To sustain these initiatives, it became imperative for Government and development partners to maintain a close relationship at both the policy and institutional levels, resulting in the recognition of the need to institute an improved framework for aid coordination and management to facilitate this relationship.

Together with its development partners, GoSL has undertaken a number of activities to improve aid coordination and the management of public resources, including the formulation of three Poverty Reduction Strategy Papers (PRSPs), the establishment of an online, open-access aid tracking system, and the institution of mechanisms to foster dialogue between the GoSL and its development partners including the Development Partners' Committee (DEPAC). In order to coordinate these activities, a Development Assistance Coordination Office (DACO) was established in 2004. However, despite these efforts, GoSL and partners are aware that the effectiveness of aid in the country requires improvement. Aid coordination tasks continued to be carried out by a plethora of institutions and ministries, departments and agencies (MDAs), and not always in a harmonised manner.

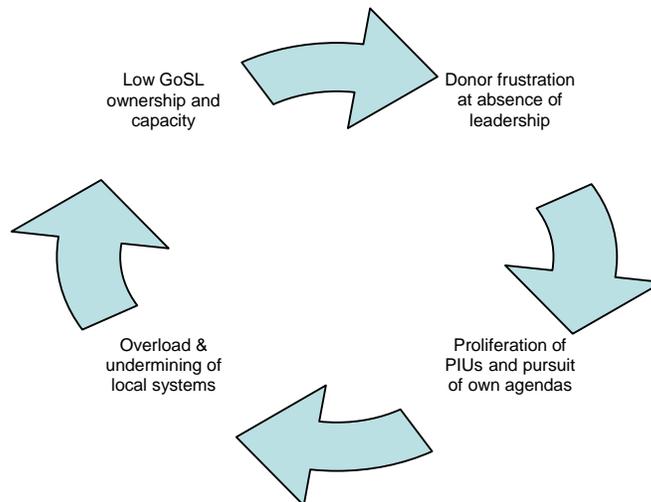
Recognising the need to articulate a comprehensive aid policy framework for the country, the Government commenced work towards developing an aid policy in 2007. However, the process stalled due to impending elections. In September 2007 after successful democratic elections, a new administration was voted in and shortly afterwards the Ministry of Finance and the Ministry of Development and Economic Planning were merged into a single entity, bringing all aid coordination tasks under a single ministry. Appreciating the opportunity for improving the coherence of aid architecture and systems presented by the merger, the Minister of Finance and Economic Development revived the aid policy process in April 2009. Institutionally, the Ministry of Finance and Economic Development (MOFED) is the key focal point for multilateral and bilateral aid to Sierra Leone. Consistent with international relations protocols, some bilateral aid, including commodity aid, is channelled through the Ministry of Foreign Affairs and International Cooperation, but subsequently integrated into MOFED aid management framework.

#### 1.4. CHALLENGES

The main challenges for effective aid coordination in Sierra Leone are outlined below.

- i. **The vicious cycle of lack of ownership and alignment.** The main challenge to date has been felt in the interlocking areas of ownership and poor alignment. GoSL ownership of aid has been lacking, partly due to capacity constraints, leading to weakened incentives for alignment and the deterioration of local systems. Past absences of clear GoSL leadership and fragmented systems of coordination in aid matters have undermined attempts to achieve a shift of ownership in the Government’s favour. From the donor side, despite much alignment in principle, there is a continued tendency for some donors to pursue their own agendas in practice, often in the absence of clear strategies against which to align. A high number of requirements/perceived “micro-management” of projects contribute to overload and undermining of local systems. This vicious cycle is expressed in the figure below:

**Figure I: The vicious cycle of lack of ownership and alignment**



- ii. **Lack of aid transparency.** Accurate and detailed aid information is critical for effective coordination of aid. Despite a GoSL Development Assistance Database (DAD), donors have been slow to come on board and often underrate the importance of provision of accurate and timely aid information in practice. This is further exacerbated by multiple systems of

reporting both by Government and development partners, leading to ‘reporting fatigue’. Consequently, information reported for Official Development Assistance (ODA) is often of low quantity and quality. A lack of coordinated reported information relating to NGOs is a further problem, creating severe constraints for effective aid coordination. In addition, aid reported on budget is currently at a very low percentage (30% in 2007<sup>5</sup>), leading to difficulties for full alignment of aid.

- iii. **Lack of aid predictability.** A lack of clearly defined multi-year aid commitments has made it hard for the Government to plan effectively in the medium to long-term. There is also a lack of predictability with relation to the disbursement of funds. This is particularly important given the dependence of Sierra Leone on aid, which increases the vulnerability of the economy to fluctuations in aid volumes. While direct support to the budget has been helpful, some donors have however, had cause to withhold committed amounts when GoSL has been unable to meet its commitments against predefined benchmarks, causing fiscal constraints.
- iv. **Limited confidence issues between GoSL and partners.** The channelling of a large portion of aid through non-Government mechanisms illustrates the need for stronger mutual confidence. In addition, there is limited confidence between implementing partners (primarily NGOs) and local levels of Government.
- v. **Inverted pyramid donor base.** Sierra Leone has a relatively small number of major donors. This presents both an opportunity in terms of harmonisation and a challenge in terms of potential dominance by few major donors over both other donors and the Government. In addition, there is a plethora of institutions lending small-scale support across sectors, posing a serious challenge to aid coordination.
- vi. **Technical Assistance and Salary top ups:** There is questionable value in domestic capacity creation through ‘technical assistance’, often donor-driven, non-transparent and high-cost. Contracting of consultants can occur in an ad-hoc manner without in-depth analysis of existing capacity gaps and how these might be addressed sustainably. Equally, the setting up of Project Implementation Units (PIUs) and salary top ups to complement the functions of the Government has become a distinctive feature of Sierra Leonean aid. PIUs are valuable for enhancing the functions of the state; however, a number of these are not fully integrated into Government systems and have proved to be unsustainable, sometimes even duplicating existing Government systems.

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<sup>5</sup> Source: DAR data and Government budget figures.

## 2. OBJECTIVE AND PRINCIPLES OF THE AID POLICY

In line with international agreements on aid effectiveness, the key objective of Sierra Leone's the Aid Policy is **to assert GoSL leadership in aid coordination, harmonisation and alignment in order to ensure that aid is used effectively:**

- **in the pursuit of Government priorities,**
- **to strengthen the institutions of the state, and**
- **in a way that promotes an effective division of labour amongst donors.**

The 2005 Paris Declaration on Aid Effectiveness and Accra Agenda for Action, to which Sierra Leone and many of its major development partners are signatories, set out a series of international principles to engender the effective management of aid. Government ownership underpins the Paris Principles, enabling the other principles to become a reality. The international acceptance of ownership as a cornerstone for effective aid has refocused attention on other issues of equal importance to the Sierra Leonean context; in particular state building and capacity development. There is a growing recognition that "aid effectiveness" as a basis for international engagement needs to be complemented by a deeper concern with the effectiveness, accountability, responsiveness to the needs of the people, and legitimacy of the institutions of the state<sup>6</sup>.

The Government of Sierra Leone recognises that donors and the Government have collective responsibility to build a stable, effective and accountable state in order to promote effective ownership and thus more effective aid. This notion of shared responsibility underpins the principles outlined below, whilst taking the Sierra Leonean context as a starting point.

### ***1. Ownership***

Country ownership, at all levels, is of primary importance to the coordination of aid. The Government of Sierra Leone will continue to set its own objectives and priorities for the development of the country, and will provide the direction for the coordination of aid inflows. Ultimately, development assistance belongs to the people of Sierra Leone, and GoSL will work towards improving the effectiveness of the aid for its people.

### ***2. Development of National Capacities***

In order to achieve effective ownership, GoSL requests that its partners must give priority to strengthening the country's institutions and capacities at all levels, to enable the state to fulfil its core functions. Aid and technical assistance planning should focus on sustainability, and include clear articulations of exit strategies. As a fragile state, Sierra Leone's capacity building support needs to be provided swiftly and for longer periods. Support should be co-ordinated and Government-led. Technical assistance should be focused on transferring knowledge through harmonised programmes that are consistent with Sierra Leone's development priorities.

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<sup>6</sup> These principles are internationally recognised in the 2007 Principles for Good International Engagement in Fragile States and the 3C principles.

### **3. Alignment**

At the strategic level, development assistance must be aligned with the stated priorities of the Government, currently articulated in the *Agenda for Change: Poverty Reduction Strategy 2008-2012*<sup>7</sup> (PRSP II) and the longer term *Vision 2025*. There are clear linkages between the *Agenda for Change* and the Medium Term Expenditure Frameworks (MTEF) which will facilitate donor alignment to government priorities. Equally, in order to improve coordination at sector level, Government urges development partners to align with sector strategies where they exist and to assist Government with their articulation in their absence. Finally, whilst the Government's public financial management (PFM), procurement and reporting systems are currently recognised as of good standard, the Government will seek to improve them in order to facilitate greater use of national systems by development partners.

### **4. Partnership**

Achieving development results requires healthy partnerships between the Government and its development partners. Such partnerships are most effective when they make full use of the skills of all development actors—bilateral and multilateral donors, inclusive of traditional, emerging and “South-South” cooperation, global funds, CSOs, and the private sector. The Government is committed to strengthening partnerships within the framework of this policy.

### **5. Harmonisation**

A large number of disjointed aid projects and programmes can create unnecessary transaction costs for the Government and risks duplication. The Government therefore requests its development partners to harmonise their aid delivery through joint mechanisms wherever possible and work towards a clearer division of labour, ensuring partners use their comparative advantages most efficiently and reduce transaction costs for the Government and partners. The Government will lead this process through strengthening its central and sector coordination frameworks, and providing loci for donor partners to contribute and align in a directed manner. The Government also encourages shared analysis, strategic planning and reporting.

### **6. Holistic Approach**

The Government recognises the links between political, security and development objectives in fragile states. The political, security, economic and social spheres are inter-dependent. This means that a “whole of Government” approach to aid coordination is important to promote joint strategies, both by GoSL and development partners. Joint policy decisions will be encouraged through high-level aid coordination fora.

### **7. Do no harm**

If engagement is not based on a deep understanding of the Sierra Leonean context, it risks creating divisions, overloading systems, and/ or weakening institutions. It is essential for partners to understand the context of the country, and develop a shared view of the response that is required. Aid budget cuts in-year should only be considered as a last resort for the most serious situations. Donor countries also have specific responsibilities at home in addressing corruption, and promoting

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<sup>7</sup> In this regard, the Government reminds partners of the *Outcome of the Peace-building Commission High-level Special Session on Sierra Leone* called upon the UN member States and all international partners to “accept the *Agenda for Change* as the core strategy document that will...guide all future work of Sierra Leone’s international partners” United Nations General Assembly Security Council, 2009.

transparency in their private sector companies engaging in Sierra Leone, particularly in the area of the extractive industries.

#### **8. Mutual Accountability**

The Government fully recognises the importance of providing accountability to its partners, and as such, is committed to making its own systems more transparent, combating corruption and further strengthening its public financial management systems. At the same time, GoSL expects its partners to remain accountable in the mobilisation, delivery, monitoring and evaluation of aid, and adhere to the aid policy, as set out in this document. Equally, GoSL recognises that aid delivery, whilst owned by the Government, is a joint compact, and will strengthen dialogue and other mutual accountability mechanisms. GoSL recognises that ultimately both partners and the Government are accountable to the people of Sierra Leone in the management and delivery of aid in the country.

#### **9. Predictability**

Sierra Leone requires firm and reliable commitments of available financing over the medium term to improve its own planning, link development strategies with budgetary frameworks, and ensure that its development assistance is used effectively. The Government wishes to improve the predictability of its aid; and calls on partners to provide better information on multi-year commitments, and to abide by those commitments. Equally, the Government will work to improve its own information systems, linking aid more strongly to the budget, and to create a stable and transparent environment that allows donors to disburse in a timely manner whilst remaining accountable to their own constituencies.

### **Box II: Sierra Leone Principles for Effective Aid**

1. *Ownership*
2. *Development of National Capacities*
3. *Alignment*
4. *Partnership*
5. *Harmonisation*
6. *Holistic Approach*
7. *Do no harm*
8. *Mutual Accountability*
9. *Predictability*

### 3. AID MODALITY AND INSTRUMENT PREFERENCES

**Grant financing:** At its broadest level, aid can be given either as a grant or loan. In order to ensure stability in its public finances, the Government's preference is for grant financing.

**Loan concessionality:** Where loans are considered, they should have highly concessional terms, with a grant element of at least 35%, consistent with the Government's external debt management policies.

**Direct Budget Support:** GoSL's first preference is to receive aid as general budget support, in order to increase Government ownership and promote alignment to national priorities to the maximum extent possible. Should general budget not be possible, GoSL's second preference is for sector budget support as it supports alignment to GoSL systems and priorities.

**Project vs. Programme Support:** GoSL's preference is for programme support over stand-alone project support, particularly if arranged through Sector-Wide Approaches (SWAs). Project aid should be used to address specific, clearly defined, short-term issues and be in clear alignment to Government priorities and existing institutions and with pre-defined exit strategies.

**Untied Aid:** Some donors continue to "tie" their aid, that is, the imposition of restrictions relating to the source or nature of goods and services used. Tied aid is contrary to the spirit of international agreements on aid effectiveness<sup>8</sup> and has the well-known consequence of reducing the real value of the assistance. GoSL's preference is for all aid to be untied.

**Technical Assistance:** GoSL receives a large amount of Technical Assistance (TA), and recognises the value that such support can play in building capacity and filling gaps in the development process. However, TA can also be extremely expensive and is not always aligned to Government's needs or directed at building sustainable capacity. TA should be demand-driven, based on needs that have been clearly identified by, or together with, the Government, and prioritise knowledge transfer and capacity building. The policy on TA is elaborated further in section 6.2. on capacity building.

**In-kind Aid:** Some donors give aid "in-kind", such as commodity aid or food aid. Rather than financial transfers, this aid is in the form of a good, such as grain or rice that tends to originate directly from donor country suppliers; and thus may not be open to wider market prices. Such aid can be useful in emergency contexts. However, Sierra Leone prefers that its aid intended for development purposes will not be in-kind, in order to receive better value for money, and promote the growth of domestic suppliers.

**Counterpart contributions:** As a rule, GoSL would prefer that its partners reduce requirements for pre-defined levels of GoSL counterpart-funding. GoSL will undertake to channel its own funds in line with its own priorities; but in accordance with the principle of ownership, would prefer that it takes its own decisions about how and in which areas this should be done. As a result, the preferred requirement for counterpart-funding is zero.

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<sup>8</sup> Development Partners may bear in mind the OECD DAC Recommendation on Untying ODA (revised July 2008)

## 4. GUIDELINES FOR AID MOBILISATION

### 4.1. VOLUME OF AID

The Government will mobilise levels of aid based on and in alignment with identified needs within national plans and priorities whilst aiming to increase fiscal sustainability and macroeconomic stability.

In the short to medium-term, the Government will continue to rely on external financing to enable it to fulfil its nationally agreed strategies. GoSL's aim in the long-term is to progressively reduce its aid dependence.

### 4.2. STATEMENT ON DEBT VOLUMES.

The Public Debt Management Strategy aims to ensure that Government financing needs and repayment obligations are met at the lowest possible cost that is consistent with a prudent degree of risk in order to maintain debt sustainability in the medium to long-term.

Government will therefore, continue to pursue the following in relation to external debt:

- Obtain the remaining HIPC debt relief required to reach sustainability from external commercial creditors through the implementation of an IDA debt buy-back programme;
- Continue to prioritise the mobilisation of grants rather than loans and ensure that all new borrowings have a minimum grant element of 35%;
- Avoid commercial borrowing; and
- Expand the creditor donor base.

### 4.3. STATEMENT ON THE RIGHT TO REFUSE AID.

The Government reserves the right to refuse or redirect aid if the potential negative effects of the aid are judged to outweigh its possible benefits. The measure for this will include both quantitative and qualitative aspects that will be decided on a case by case basis, as outlined within the Aid Endorsement section. The basic principles of what constitutes beneficial aid are outlined in Section Two on the Objective and Principles of the Aid Policy.

## 5. GUIDELINES FOR AID COORDINATION

In keeping with the principles of this policy, it is vital that aid coordination mechanisms are integrated into pre-existing and or planned systems, in order to strengthen the coherence of structures and ensure the sustainability of the aid coordination framework.

### 5.1. INTRA-GOVERNMENT

In order to provide a Government-led framework for aid coordination, it is critical that GoSL roles and mechanisms for aid coordination are clarified and strengthened as a first priority.

#### 5.1.1. CENTRAL LEVEL

A central point of contact for development assistance is essential in the effective coordination of development assistance, and for building good relationships with external partners in country. The roles of differing GoSL institutions in the mobilisation, negotiation and coordination of external assistance have sometimes been unclear and fragmented. As a result donors have been unsure of whom to address proposals. This document follows roles as they have been officially mandated.

As with all policies of the Government of Sierra Leone, the Office of the President is responsible for providing strategic leadership on aid policy issues.

The Ministry of Finance and Economic Development (MoFED) will take a lead role in coordination of all external assistance and ensuring efficient allocation in line with national plans and priorities. The Ministry is also responsible for coordinating data collection and analysis on development assistance and ensuring integration of aid within the national budget.

The Ministry of Foreign Affairs and International Cooperation (MFAIC), through its foreign missions, will cooperate with MoFED on the identification of potential new donors and the mobilisation of resources from new partners.

All other MDAs will be responsible for implementing programmes within their respective sectors. Once identified, MDAs should liaise with MoFED and other relevant stakeholders to ensure coordination within the overall framework of development assistance and avoid any duplication with existing projects/ programmes.

In order to streamline information flow across MDAs a Committee on Donor Harmonisation and Aid Coordination (DHACC) is proposed that will approve new projects on a monthly basis. No more than five projects will be discussed in one sitting.

The Chairperson will be the Minister of Finance and Economic Development, with the Minister of International Cooperation and Office of the President acting as co-Chairs. Other MDAs will be invited depending on the scope of the aid projects/ programmes to be discussed. MoFED will provide secretariat responsibility. Attendance will be at Ministerial level, with delegation to senior technical staff as required. Development Partners whose projects are being appraised will also be invited, at Heads of Agency level, to be accompanied by/ delegated to their technical staff as required. The full approval process is set out in section 6.1.

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### 5.1.2. DISTRICT LEVEL

In order to oversee projects at the local level, a National Joint Coordinating and Monitoring Committee for Local Council Government and Donor funded Projects was instituted in July 2009. The principal responsibility of this Committee is to provide effective oversight that will ensure timely implementation of quality projects by Local Councils in accordance with their development plans and in alignment with national strategies. The Committee will also work with Budget Oversight Committees at the local level to ensure joined up information flow and coordination of financial flows at all levels of Government.

The Committee is chaired by the Deputy Minister of Finance, with a Deputy Minister of the Ministry of Internal Affairs, Local Government and Rural Development acting as co-Chair. The Decentralisation Secretariat and the Local Government Finance Department will jointly provide secretariat support to the committee.

### 5.2. BETWEEN DONORS: HARMONISATION

The Government welcomes the moves that Development Partners have made towards harmonising their assistance and will work with existing structures of Partner Coordination to achieve more effective aid. The Government encourages partners to work with each other to ensure that the international principles of aid effectiveness are adhered to.

Aid should be channelled through harmonised modalities and procedures to the maximum extent possible as this will lessen transaction costs for all parties. Harmonised modalities will enable Government to provide requisite oversight over specific modalities. Two different types of harmonisation can be identified:

- **Financial harmonisation:** Pooled funding minimises transaction costs for Government and promotes procedural harmonisation. Examples of pooled funding include Multi-Donor Trust Funds (MDTFs), Basket Funds and certain Vertical Funds. Pooled funding should be properly integrated into existing structures and not delivered in structures parallel the Government. This will ensure that pooled funds do not hinder effective allocation of resources to priority areas and undermine Government ownership.
- **Procedural Harmonisation:** GoSL requests that donors harmonise their procedures to the maximum extent possible. This can be done at a sectoral level through Sector-Wide Approaches (SWAs), joint strategic planning (such as Joint Assistance Strategies), and harmonised benchmarks and reporting. Joint missions and analyses should be used to the maximum extent possible.

In order to minimise the crowding of development projects into certain favoured sectors, decrease transaction costs and to broadly increase donor harmonisation, the Government will implement a **division of labour** approach based on clearly defined leads and delegated cooperation by sectors.

The Government recognises that achieving a more effective division of labour will take some time and will require high levels of trust and communication between GoSL, and development partners.

Finally, the Government would like to assert a “**quiet period**” for the Government; over the period of budget preparation, from August to October. During this time, GoSL would prefer not to receive missions from its partners, unless directly related to budget preparation.

### 5.3. BETWEEN DONORS AND GOVERNMENT: MUTUAL ACCOUNTABILITY

Coordination structures between the Government and Development Partners have a twofold aim; to increase information flow and to provide a forum for discussion of issues. In order to increase Government ownership consistent with tenets of this policy, all structures are led by the Government and based on a sustainable framework that aims to strengthen and consolidate existing structures.

#### 5.3.1. DEPAC

The Development Partnership Committee (DEPAC) serves as a high-level body for mutual accountability, providing the forum for frank and continuous dialogue between GoSL and development partners on a quarterly basis. DEPAC comprises of all MDAs at ministerial level and all development partners. CSOs and other key stakeholders are invited based on the agenda under discussion. The agenda for discussion will be agreed upon prior to DEPAC and will be based around targets set in the Agenda for Change.

#### 5.2.2. MULTI-DONOR BUDGET SUPPORT PARTNERSHIP

The Government of Sierra Leone has been working within a mutual accountability framework with its budget support partners since 2002. Budget support has been provided to GoSL by four key donors: the African Development Bank, the UK’s Department for International Development, the European Commission and the World Bank. These donors signed a Memorandum of Understanding (MoU) with the Government establishing a framework for Multi-Donor Budget Support (MDBS). MDBS partners consolidated benchmarks into a single Progress Assessment Framework agreed with the Government in 2006.

The Government will continue to work with its Budget Support Partners in a mutually agreed and beneficial manner. The Government welcomes any donors wishing to join the MDBS partnership.

#### 5.2.3. SECTOR/ THEMATIC WORKING GROUPS

In order to improve the consistency of sector planning, and enhance the integration of aid into the national budget, Sector Budget Committees will form the basis for sector coordination. However, recognising that effective alternate groups are already working in some sectors and on certain themes, the GoSL will strive to ensure that it leverages the most efficient pre-existing groups, work towards integration rather than the creation of parallel structures and strengthen group structures for coordination.

Each Sector/ Thematic Working Group (S/TWG) will comprise of representatives from the various institutions that implement programmes within the sector as well as the development partners that provide support for these programmes, with the Chair resting with GoSL. In addition, CSOs and

NGOs are co-opted into these working groups as appropriate. S/TWG dialogue will allow for the discussion of sector strategies to improve the coherence of policy issues in the sector.

Initial S/TWGs will be based on the Priority Areas of the Agenda for Change, with a view to expanding the number of SWGs as the need arises. Issues arising from S/TWGs will be fed to DEPAC, MDDBS partnership or District Working Groups as appropriate.

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### 5.2.3. DISTRICT WORKING GROUPS

To ensure the effective implementation of aid at the district level District Working Groups (DWGs) will be convened that comprise of Development Partners and sector representatives at the local level. In order to ensure the sustainability of these structures, they will be based on pre-existing institutions at the District level, with a view to strengthening coordination and information flow. The issues arising from DWGs will feed into other coordination structures as appropriate.

## 6. GUIDELINES FOR AID IMPLEMENTATION

The Government recognises that its ability to implement effective leadership over aid management is contingent on its own capacity, as well as that of other stakeholders. Building systems takes time, and the articulation of this policy is the first stage in a labour-intensive process that requires a joint compact between Government and other stakeholders in the development process. In keeping with principles one and two, Ownership and Development of National Capacities, the GoSL will work with its partners to ensure that its capacity to assert and implement effective leadership is strengthened in a sustainable manner.

### 6.1. MECHANISMS FOR ENDORSEMENT

In order to improve the coordination and harmonization of aid, and minimize duplication, the Minister of Finance, and Economic Development, as the coordinator of all development assistance, has signatory power for all external aid. The procedure is as follows:

1. Where a MDA has identified a need for assistance, it will liaise with interested partners and MoFED to develop the idea into a proposal that is based on national priorities and in line with the principles and mechanisms set out in this document.
2. The project/ programme will be submitted to **the Donor Harmonisation and Aid Coordination Committee** in order to ensure its alignment to national priorities and the tenets of effective aid, as set out in this policy.
3. The MOFED will sign off on all endorsed projects.

### 6.2. TECHNICAL ASSISTANCE AND PIUS

All TA should represent value for money, be demand-oriented around the requests of GoSL, be time-bound with a pre-defined exit strategy and include a sustainable skills transfer component. Government should be involved in the selection of TA in order to ensure alignment to national priorities and ownership of the assistance. International TA is to be utilised **only** when no suitable local capacity is available and all international TA should be involved in increasing local capacity.

TA will be coordinated by the Ministry of Finance and Economic Development, in conjunction with the Human Resources Management Office (HRMO), which will ensure that requests for TA are developed in conjunction with the HRMO in order to avoid duplication and wastage.

All PIUs should be harmonised and integrated into the central Government system. New PIUs should only be set up if absolutely necessary, and after thorough research and consultation with the Government and partners. Existing PIUs that are valuable should be integrated into the Government as soon as possible. The Government recognises that the issue of PIUs is closely linked to the issue of distorted salaries/ benefits. The Government will work with Development Partners to harmonise top-fees and the use of incentives for normal civil service staff, whilst working towards sustainable exit strategies for these kind of special arrangements.

### 6.3. NON-GOVERNMENTAL ORGANISATIONS (NGOS)

GoSL recognises the crucial role that NGO's play in the development of the country. This is particularly important in the area of service delivery at the local level, where NGOs have been filling critical gaps. Aid channelled through NGO's should be aligned to national priorities, be coordinated and avoid duplication with work by GoSL and its development partners. A significant proportion of NGO funding derives from donor funds. Donors have a joint responsibility with the Government in ensuring the alignment of NGOs to national priorities through their reporting and approval mechanisms.

NGO's should work with all levels of Government to ensure that they operate in a transparent manner that is accountable to the citizens of Sierra Leone. NGO's should operate in accordance with the NGO policy. In addition, the Government will work towards integrating information on NGO activities into its broader frameworks of aid information coordination, set out in section 6.4 below.

### 6.4. AID FINANCIAL MANAGEMENT AND REPORTING

#### 6.4.1. FINANCIAL MANAGEMENT OF AID

The Government of Sierra Leone is committed to improving its fiduciary and financial management systems within Government. To enhance transparency, and minimize transaction costs, donor funds that are channelled through the Government should be subject to the same fiduciary and financial management procedures that apply to Government expenditures financed by domestic revenues.

#### 6.4.2. AID REPORTING

GoSL recognizes the crucial importance of good quality reporting to good management of aid. Accurate data on development assistance inflows allows the Government to coordinate and plan better, identify gaps and avoid duplication. In order to improve budgetary planning, the Government wishes to ensure that aid data is aligned against and incorporated into the annual budget and Medium Term Expenditure Framework. GoSL will work towards increasing aid commitments reported in the Budget and continuously improving, integrating and rationalizing its aid reporting systems to facilitate development partners' compliance.

The Government requires all partners to report to the Development Assistance Database, and comply with its *Standard Operating Procedures (SOPs)*, reporting on their aid inflows in a timely, accurate and comprehensive manner.

Donors have the primary responsibility for entering projects and updating information in DAD on their own funds. This includes all agencies that have their own funds flowing into development projects i.e. bilaterals, UN core funding etc. This is to ensure that financial flows are captured accurately, at the "first tier" of financial transfers, and to avoid double counting. MoFED has responsibility for coordinating and administering the system.

## 6.5. MONITORING AND EVALUATION

The Government recognises that the aid inflows to Sierra Leone are for its people, and the Government is committed to managing for development results. Monitoring and Evaluation (M&E) systems shall be aligned to existing and planned, centralized Government structures set out in section 5.1. above. In line with its aim to harmonise and align external assistance to its needs, the Government of Sierra Leone encourages its development partners to move towards use of national M&E systems, at the central and district levels, thus simplifying monitoring, evaluation and reporting, and ultimately reducing the burden on both government and donors.

## 7. MUTUAL COMMITMENTS AND OBLIGATIONS

The Government requests donors to endorse the commitments set out below at DEPAC and other international fora. GoSL is committed to monitoring and evaluating these commitments on an annual basis, and reviewing if necessary.

### 7.1. COMMITMENTS BY GO SL

The Government of Sierra Leone recognises that no volume of development assistance can stimulate sustained growth and poverty reduction without a stable political and economic climate. Therefore the Government is committed to:

- Strengthening GoSL leadership over Development Assistance in accordance with this policy framework.
- Improving governance, accountability and transparency and offering proof of this regularly to the international community and the people of Sierra Leone through regular reporting.
- Reforming the civil service to ensure that Sierra Leone has efficient, capable and sustainable institutions to drive forward the development of the country.
- Strengthening Public Financial Management procedures to facilitate the use of National Systems and promoting the more efficient management of Government operations in the medium to long-term.
- Producing an Action Plan for the effective implementation of this policy by end 2009. This plan will prioritise actions on the part of government bodies, taking into account the Government's capacities to implement change.

### 7.2. COMMITMENTS BY DEVELOPMENT PARTNERS

In line with international principles on Aid Effectiveness, development partners working in Sierra Leone are committed to:

- Aligning their support to national priorities of the GoSL.
- Continue to increase their efforts to harmonise support through:
  - Consolidation of benchmarks and triggers
  - Streamlining reporting requirements
  - Engaging in joint missions and analysis
  - Pooled funding
  - Working towards a structured Division of Labour
  - Strengthening Management Information systems
- To use the DAD and the main repository for aid information, and to comply with GoSL procedures for doing so in a timely, accurate and complete manner.
- Avoid doing harm, through adhering to international agreements on aid effectiveness and taking the Sierra Leonean context as a starting point.

## ANNEX ONE: AID DEFINITIONS

Definitions are based on OECD DAC unless otherwise stated.

**Multilateral Aid:** These international institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (e.g. World Bank, regional development banks), United Nations agencies, and regional groupings (e.g. certain European Union and Arab agencies)

**Bilateral Aid:** Bilateral flows are provided directly by a donor country to an aid recipient country.

**Budgetary Support:** Direct Budget Support (DBS) consists of financial support given direct to a government's Treasury. DBS is currently provided by the European Commission (EC), the Department for International Development (DFID), the African Development Bank (AfDB), and the World Bank.

**Balance of Payments Support:** The Balance of Payment support is foreign exchange lent to a country in order to adjust a country's economic transactions. Balance of payments support is provided by the International Monetary Fund (IMF) under the Poverty Reduction Growth Facility (PRGF) to promote macro-economic stabilization policies.

**Programme Support:** A time-bound and Government-owned intervention involving multiple activities that may cut across sectors, themes and/or geographic areas.

**Project Aid:** An individual development intervention designed to achieve specific objectives within specified resources and implementation schedules, often within the framework of a broader programme. Many donors provide direct support to the GoSL through the establishment of Project Implementation Units (PIUs) within a sector ministry or department. This type of assistance is employed by donors, to address capacity constraints and also promote transparency and accountability in the administration and utilization of donor resources. Project support sometimes creates tensions within systems in the same establishment. Adhering to donor procedures may not always reform government management systems.

**Project Implementation Unit (PIU):** Dedicated management units designed to support the implementation and administration of projects or programmes. A PIU is parallel when it is created and operates outside existing Government structures at the behest of a donor. In practice, there is a continuum between parallel and integrated PIUs.

**Sector Wide Approaches:** All significant donor funding support a single, comprehensive sector policy and independent programme, consistent with a sound macro-economic framework, under government leadership. Donor support for a SWAp can take any form – project aid, technical assistance or budget support – although there should be a commitment to progressive reliance on government procedures to disburse and account for all funds as these procedures are strengthened.

**Technical Assistance:**

- grants to nationals of aid recipient countries receiving education or training at home or abroad, and

- payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries, (including the cost of associated equipment).

Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and not separately identified as technical co-operation in statistics of aggregate flows.

**Non-Governmental Organisations:** The Non-Governmental Organisations Policy Regulations (2008) define an NGO as “any independent, non-profit making non-political and charitable organisation, with the primary objective of enhancing the social, environmental, cultural and economic well being of communities...[without] religious, political or ethnic bias<sup>9</sup>.” Although NGO activities in Sierra Leone pre-date the on-set of the war, their influence became preponderant during the conflict and post-conflict period. As the capacities of MDAs became constrained in the delivery of humanitarian relief to the grassroots, transparency and accountability were compromised, bilateral donors channelled their aid through their respective NGOs.

**Non-traditional/ Emerging Donors:** Some aid flows originate from donors who do not operate within the established ‘channels of aid management’- dialogue, reporting and consultations. **Emerging donors operational in Sierra Leone include Brazil, China, India and Iran.**



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<sup>9</sup> Government of Sierra Leone, NGO Policy Regulations (2008) p10, pp2.1.1.

## ANNEX TWO: ACRONYMS

CSO	Civil Society Organisation
DAC	Development Assistance Committee
DAD	Development Assistance Database
DAR	Development Assistance Report
DEPAC	Development Partners' Committee
DWG	District Working Group
DHACC	Donor Harmonisation and Aid Coordination Committee
GoSL	Government of Sierra Leone
HIPC	Highly Indebted Poor Countries
HRMO	Human Resources Management Office
IDA	International Development Association
MTEF	Medium Term Expenditure Framework
MoFED	Ministry of Finance and Economic Development
MFAIC	Ministry of Foreign Affairs and International Cooperation
MDA	Ministry, Department and Agency
M&E	Monitoring and Evaluation
MDBS	Multi-Donor Budget Support
MDTF	Multi-Donor Trust Fund
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
PRSP	Poverty Reduction Strategy Paper
PIU	Project Implement Unit
PFM	Public Financial Management
SWAp	Sector Wide Approach
S/TWG	Sector/ Thematic Working Group
SOPs	Standard Operating Procedures
TA	Technical Assistance

