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Report No: PAD2541

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 14.2 MILLION
(US\$20 MILLION EQUIVALENT)

TO THE

REPUBLIC OF SIERRA LEONE

FOR AN

EXTRACTIVE INDUSTRIES TECHNICAL ASSISTANCE PROJECT PHASE 2

NOVEMBER 1, 2017

Energy & Extractives Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2017)

Currency Unit = SDR

SDR 0.70756386= US\$1

US\$ 1.41 = SDR 1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Makhtar Diop

Country Director: Henry G. R. Kerali

Senior Global Practice Director: Riccardo Puliti

Practice Manager: Christopher Gilbert Sheldon

Task Team Leader(s): Daniele La Porta Arrobas

ABBREVIATIONS AND ACRONYMS

ADM	Accountability and Decision-Making Framework
AfDB	African Development Bank
AfP	Agenda for Prosperity
AMP	Artisanal Mining Policy
AM	Artisanal Mining
AMV	African Mining Vision
ASSL	Audit Service Sierra Leone
AWPB	Annual Work Plan and Budget
BP	Bank Procedure
CASPR	Country Assistance Strategy Progress Report
DA	Designated Account
EA	Environmental Assessment
EC	European Commission
EITAP	Extractive Industries Technical Assistance Project
EITI	Extractive Industries Transparency Initiative
EPA	Environmental Protection Agency
EU	European Union
ESW	Economic and Sector Work
FM	Financial Management
FY	Fiscal Year
GDP	Gross Domestic Product
GIMS	Geo-data Information Management System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Germany
GoSL	Government of Sierra Leone
GRS	Grievance Redress Service
HQ	World Bank Headquarters (Washington, DC)
ICR	Implementation Completion Report
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFR	Interim Financial Report
IMF	International Monetary Fund
IPF	Investment Project Financing
LaD	Life after Diamonds
M&E	Monitoring and Evaluation
MMA	Mines and Minerals Act
MMMR	Ministry of Mines and Mineral Resources
MoFED	Ministry of Finance and Economic Development
MP	Minerals Policy
MTAP	Mining Technical Assistance Project
MTR	Midterm Review
NMA	National Minerals Agency

NPF	New Procurement Framework
NRA	National Revenue Authority
OP	Operational Policy
PAD	Project Appraisal Document
PD	Petroleum Directorate
PDO	Project Development Objective
PFMU	Project Fiduciary Management Unit
PIU	Project Implementation Unit
POM	Project Operational Manual
PPSD	Project Procurement Strategy Document
PRSP	Poverty Reduction Strategy Paper
SCD	Systematic Country Diagnostic
SESA	Strategic Environmental and Social Assessment
SIA	Social Impact Assessment
SORT	Systematic Operations Risk-Rating Tool
TA	Technical Assistance
TTL	Task Team Leader
UK DFID	United Kingdom Department for International Development
UN	United Nations
UNDP	United Nations Development Program
USD	United States Dollar
VfM	Value for Money
WB	World Bank



BASIC INFORMATION

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
<input type="checkbox"/> Situations of Urgent Need of Assistance or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects		
Approval Date 22-Nov-2017	Closing Date 31-Dec-2022	Environmental Assessment Category B - Partial Assessment
Bank/IFC Collaboration No		

Proposed Development Objective(s)

The proposed project development objective is to strengthen governance, knowledge, and sustainability of the extractives sector in Sierra Leone.

Components

Component Name	Cost (US\$, millions)
Component A—IMPROVE MINERAL SECTOR GOVERNANCE	2.99
Component B—ENHANCE GEOLOGICAL KNOWLEDGE	11.53
Component C—ARTISANAL MINING	3.18
Component D—PROJECT MANAGEMENT	1.96
Component E--CONTINGENCY FOR DISASTER RISK RESPONSE	0.00
Contingency	0.35



Organizations

Borrower : Ministry of Finance and Economic Development

Implementing Agency : Ministry of Mines and Mineral Resources

PROJECT FINANCING DATA (US\$, Millions)

<input type="checkbox"/> Counterpart Funding	<input type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input checked="" type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
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Total Project Cost:
20.00

Total Financing:
20.00

Financing Gap:
0.00

Of Which Bank Financing (IBRD/IDA):
20.00

Financing (in US\$, millions)

Financing Source	Amount
IDA Grant	20.00
Total	20.00

Expected Disbursements (in US\$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	0.92	2.96	4.36	4.54	4.85	2.36
Cumulative	0.92	3.87	8.24	12.78	17.64	20.00



INSTITUTIONAL DATA

Practice Area (Lead)

Energy & Extractives

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Low
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● High
7. Environment and Social	● Low
8. Stakeholders	● Low



9. Other	● Low
10. Overall	● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

Schedule 2, Section IV (A) Not later than four (4) months from the Effective Date, the Recipient shall ensure that the PIU finance team obtains a refresher course on the financial management and disbursement procedures satisfactory to the World Bank.

Sections and Description

Schedule 2, Section IV (B) Not later that one (1) month after the Effective Date, the Recipient shall input all the relevant Project codes into the accounting software for the Project.

**Sections and Description**

Schedule 2, Section IV (C) Not later than one (1) month after the Effective Date, the Recipient shall update the SESA to provide for the expanded activities under the Project, in a manner satisfactory to the Association.

Conditions

Type	Description
Effectiveness	Article V, 5.01: The Additional Condition of Effectiveness consists of the following, namely, the Recipient has adopted a Project Operational Manual in form and substance satisfactory to the Association.
Disbursement	Schedule 2, Section III, B1(b): Under category 2, no withdrawal shall be made until the Recipient has furnished or caused to be furnished evidence satisfactory to the Association that a Data Management Policy satisfactory to the Association has been duly adopted by a decision of Cabinet.
Disbursement	Schedule 2, Section III, B1(c): Under category 3, no withdrawal shall be made until the Recipient has furnished or caused to be furnished evidence satisfactory to the Association that measures referred to in Section I.E of Schedule 2 to this Agreement have been met in a manner satisfactory to the Association.

PROJECT TEAM**Bank Staff**

Name	Role	Specialization	Unit
Daniele La Porta Arrobas	Team Leader(ADM Responsible)	Mining	GEEX1
Innocent Kamugisha	Procurement Specialist(ADM Responsible)	Procurement	GGO01
Sydney Augustus Olorunfe Godwin	Financial Management Specialist	Financial Management	GGO31
Alidu Babatu Adam	Social Safeguards Specialist	Social Development Specialist	GSU01
Anita Bimunka Takura Tingbani	Environmental Safeguards Specialist	Environmental Safeguards	GEN01
Demba Balde	Social Safeguards Specialist	Social Safeguards	GSU01



Diana M. Corbin	Team Member	Operations	GEEX1
Gloria Malia Mahama	Social Safeguards Specialist	Social Development Specialist	GSU01
Hussinatu Lanla Yilla	Team Member	Consultant	GEEX2
Maria Luisa Ana Esteban Meer	Team Member		GEEX2
Extended Team			
Name	Title	Organization	Location



**SIERRA LEONE
EXTRACTIVE INDUSTRIES TECHNICAL ASSISTANCE PROJECT 2**

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I. STRATEGIC CONTEXT

A. Country Context

1. Sierra Leone has a population of about 7 million with approximately 39.1 percent living in urban areas and the urbanization rate is projected to reach 43.8 percent in 2030. Sierra Leone failed to achieve most Millennium Development Goals (MDGs) by 2015. Basic infrastructure is lacking throughout the country and living standards remain very low. Sierra Leone ranks 179th out of 188 countries on the UN's 2016 Human Development Index. Poverty remains widespread with more than 50 percent of the population living on less than US\$1.25 a day, and unemployment and illiteracy levels remain high, particularly among youth. To achieve the Sustainable Development Goals (SDGs) by 2030, the Government must improve the development work across all sectors.
2. Strengthening the management of mineral resources is identified in the 2017 Systematic Country Diagnostic (SCD) currently under preparation as one of the four pathways by which Sierra Leone can accelerate growth and reduce poverty. This is the overarching rationale for the development of this follow-on Extractive Industries Technical Assistance Project Phase 2 with the Government of Sierra Leone (GoSL).
3. From 1991-2002, Sierra Leone suffered a devastating civil war that was fueled in great part by conflicting investment interests in extractive industries, specifically alluvial diamonds. From the end of the conflict to 2014, the country's political and economic landscapes progressively improved, benefiting from improved policies and economic recovery of extractive industries, triggered by booming commodity prices. Many public services were restored, investors returned, and new investors showed interest. Regional transport corridors and infrastructure linkages were also pursued.
4. Sierra Leone's period of steady growth ended in 2015, as the country was severely affected by the twin shocks of the Ebola outbreak and the downturn in international iron ore prices. The economy contracted more than 20 percent due to the spread of the Ebola epidemic and after both iron ore operations ceased production due to low international prices. Iron ore production declined by 84 percent in 2015 and growth of the rest of the economy slowed to near zero, with the services sector being particularly hard-hit. Growth resumed in 2016 following the end of the Ebola outbreak and the return to operation of the largest iron ore mine.
5. Despite favorable geography and abundant resources, and after hundreds of millions of dollars in soft loans, grants and sound technical approaches, Sierra Leone continues to have development outcomes that rate among the worst in the world. The 2017 SCD argues that without the two foundational requirements—governance and fiscal space—this situation is unlikely to change. If the foundational requirements can be addressed, the priority technical interventions proposed here have the potential to unlock accelerated growth, reduce poverty and improve the lives of the Sierra Leonean population. Sierra Leone's main assets are abundant resources and a young and dynamic population.
6. The most recent Poverty Reduction Strategy Paper (PRSP) (2013 to 2018) has set the ambitious goal of achieving middle income country status by 2035. Reflecting the positive economic advances in



2002-2014, the “Agenda for Prosperity”¹ (AFP) has established annual per capita expenditure growth targets of 4.8 percent. The SCD notes, however, that per capita growth of this magnitude would require Gross Domestic Product (GDP) growth of around nine percent annually, substantially higher than the average 6.4 percent achieved between 2003 and 2013. In addition, while recognizing that management of the economy had been effective in achieving growth and macroeconomic stability, the 2013 International Monetary Fund (IMF) program review also cautioned that the small revenue base and persistent pressures on government expenditure could threaten this stability. This was subsequently demonstrated by the derailing of the government’s economic program during the recent Ebola epidemic.²

7. Though Sierra Leone has effectively been Ebola-free since November 2015, the epidemic had devastating consequences for the country. Economic outcomes deteriorated sharply and growth declined dramatically from 4.6 percent in 2014 to -21.1 percent in 2015. The country budget was under extraordinary pressure, and government authorities had difficulty funding routine expenditures in a timely manner. The country currency depreciated and banking sector vulnerabilities also increased. More than a year after these shocks, difficulties persist but the economy showed signs of recovery in 2016. Despite a slight economic recovery, future growth prospects remain uncertain caused by the continued volatility in commodity prices hindering the development of the mineral sector and an extremely constrained fiscal environment.

B. Sectoral and Institutional Context

8. **Sierra Leone is rich in natural resources.** The country has substantial mineral and potential oil reserves and production capabilities, which have the potential to underpin much higher GDP growth rates, notwithstanding the current slump in the minerals sector due largely to the downturn in global prices and higher cost structures in the country. Apart from iron ore, the country has proven deposits of bauxite, chromite, diamonds, gold, platinum and rutile with several foreign operators already involved in most of these sub-sectors. All operators are being challenged by current adverse world supply and demand conditions, and it is highly likely that these conditions will persist for the foreseeable future.

9. **The country is the world’s third largest producer of rutile, tenth largest producer of diamonds, a surging iron ore exporter and an oil exporter in waiting.** Foreign direct investment (FDI) net inflow as a percentage of GDP, buoyed by rising global mineral prices, grew steadily from 2008 until 2011, when it reached a peak of 24 percent growth. In 2012 and 2013, Sierra Leone achieved GDP growth of 15.2 and 20.7 percent, respectively, faster than any other economy in Sub-Saharan Africa. The known mineral and (offshore) oil prospects are sufficiently promising to suggest the development of the extractive industries sector in the future; to date these developments have been conducted in a virtual geo-data vacuum resulting in ad hoc mapping, geological uncertainty and likely miscalculation of significant extractives wealth. Based on regional geo-data information, significant development potential lies in the modern investigation of Sierra Leone’s geology.

¹ The Agenda for Prosperity is Sierra Leone’s Third Generation Poverty Reduction Strategy Paper covering the period 2013-2018.

² The Bank estimates that GDP declined by more than 20 percent during the period 2014-2015, leading to losses of some US\$1.4 billion and a collapse of domestic revenue. Macroeconomics & Fiscal Management, Recent Economic Developments (September 2015).



10. **The World Trade Organization estimates that the mining sector in Sierra Leone accounts for about 90 percent of export revenues annually, comprising mainly diamonds and iron ore.** Mineral exports generate most foreign exchange with gem-quality diamonds accounting for nearly half of exports and for high rates of economic growth. In 2013, the extractive industries in Sierra Leone accounted for 23 percent of GDP, of which iron ore accounted for around two-thirds. In 2014, there was a dramatic decline of global iron ore prices (to around US\$70/ton) due to a substantial increase in world supply and a slowdown in Chinese demand, which in turn led to a hiatus, and then much lower production of iron ore in Sierra Leone.

11. **Ebola and global commodity prices impacts.** The impact of Sierra Leone's Ebola outbreak on extractive industries led to some expatriate workforce reductions, but production largely continued. The crisis did create significant challenges for supply chains, including the declaration of force majeure by subcontractors and restrictions on air and sea transport access for needed imports. Positive outcomes of the crisis have been an extreme heightening of citizen awareness and Government response preparedness, including deeper reflection on the potential of market interruptions to the economy. At the same time, low commodity prices jeopardized the viability of extractive industries, specifically mines, and the sector's collective viability.

12. **These events have confirmed the critical role of Sierra Leone's minerals sector in the country's economy, generating significant revenues, contributing to job generation, strengthening economic and environmental governance, and fostering improved infrastructure, education and other ancillary economic activities.** It is estimated that more than 400,000 Sierra Leoneans are directly employed in the country's extractive industries sector (government and mining operations), with approximately 300,000 employed in artisanal mining operations. Despite recent declines, primarily attributed to fallen commodity prices, long-term global demand for minerals and oil will mean that the extractive industries will continue to be an important contributor for Sierra Leone's economic recovery, development and growth. Now that iron ore has reached a price of over US\$80 per ton, there is evidence that iron ore companies have started production again.

13. **Extractive Industries Governance.** The country has made commendable efforts to modernize the legislative framework for the sector. Centralized institutional reform has produced some successes in the country's extractives sector, but has not yet created the institutional capabilities or incentives to sustainably manage impacts. The Ministry of Mines and Mineral Resources (MMMR) remains the responsible government agency for policy-making and the management of the minerals sector; the Petroleum Directorate of the Office of the President regulates oil and natural gas. The newly established National Minerals Agency (NMA) plays the role of a semi-autonomous regulator, with a clear emphasis on technical strengths, and serves as the lead technical group to implement all Government geological survey, mining cadastre and inspectorate functions. The 2009 Mines and Minerals Act and 2011 Petroleum Act provide legislative grounding for sector operations but in today's market context, the legislation is rife with inconsistencies leaving Government, license holders and citizens to rely on highly interpretive and often personalized agreement on operating terms.

14. **World Bank (WB) Engagement.** With support of the World Bank's Mining Technical Assistance Project (MTAP), approved in FY09, which received an additional financing to broaden its scope in FY11 and was renamed the Extractive Industries Technical Assistance Project 1 (EITAP1 P099357), the Government embarked on a series of institutional and administrative reforms to refocus the role of the



State and remove inefficient and discretionary regulation. The main objective of the EITAP1 was to support the Government in its institutional strengthening and further enhancement of extractives sector regulatory framework. Under this support, Sierra Leone advanced in the reforms necessary to improve governance in the mining sector. New legislation, institutions, capacity building and increased transparency have attracted new investments to the sector allowing its revenues and associated activities to make significant contributions to the country's economic growth. Among the most important achievements was the creation of the National Minerals Agency (NMA), the sector's regulatory and survey institution. The NMA attracted young and capable professionals that have maintained the provision of reliable and professional services.

15. **EITAP1 also supported the preparation of a new Minerals Policy (MP) and Minerals Policy Action Matrix, and a new Artisanal Mining Policy (AMP) with accompanying Action Matrix.** Both the MP and AMP are expected to be finalized and approved in 2017. The project also supported legislation that is currently pending review and approval such as the "Oil and Gas Law".

16. **In the present context, the Government recognizes that absent regulatory reform and attendant capacity building, it will be impossible to effectively manage the sector, adequately capture revenues, safeguard the environment, and ensure long-term benefits to the country.** Continued policy, legal and institutional reform matched with human and institutional capacity building and practical strategic planning are required if sustained extractive industries' growth is to be leveraged. The new Minerals Policy for Sierra Leone reflects the role expected of the sector as a driver of economic growth, taking into account citizens' expectations, to capture the imperatives of sub-regional collaboration, outline inclusive, transparent, and streamlined governance measures, ensure social protection, promote the shared use of infrastructure with appropriate linkages within and outside of Sierra Leone, and incorporate the principles of the African Mining Vision (AMV) adopted by African Heads of State in 2009.

17. **The country also recently took further steps on transparency.** Sierra Leone maintained its Extractives Industries Transparency Initiative (EITI) compliant country status by publishing its EITI report for 2014 before the extended deadline of April 2017. Sierra Leone also published a beneficial ownership roadmap and has begun collecting beneficial ownership information from the 20 largest extractive taxpayers. Sierra Leone became one of 16 national governments that have adopted the open data charter. Lastly, Sierra Leone has continued to store information on revenues generated from mining companies on its Online Repository, which contains all mining licenses and payments, published directly from the mining licensing system at the National Minerals Agency. However, access to the portal is still not available to the public and wider civil society.

18. There also remain certain EITI implementation areas that will benefit from clarified institutional oversight including the promotion of investment and handling of grievances. The EITI was expected to play a more proactive role in the extractives sector, but to date, its impact has been limited, and further enhancement of activities aiming to increase transparency in the sector is required. It is important that EITI mechanisms be integrated into existing governance frameworks to limit duplication of activities and build comprehensive measures for increased transparency.

19. **Social impacts.** Despite myriad reforms, breaching historical enclaves remains a challenging proposition in Sierra Leone's post-conflict environment. Legacies of war remain in political factions, prioritization of social relief, and development preferences. Legitimized large-scale iron ore mining, though still in relatively early operational stages, is generating revenues but has yet to tangibly impact



communities or broader social improvement. In particular, illicit diamond and gold mining has similarly failed to provide more than sub-par wages to local community members on whom little factual data has been gathered. It is known that these workers are typically seasonal, work without contract often following a “produce or perish” payment system, and are members of the local mine community. Some migration of miners is emerging with a shift to gold mining as diamond deposits are depleted. Virtually no tenure-secure jobs are accessible to limited local skill sets and, competing with migrant labor (some foreign), local communities have generally failed to secure employment benefits on the scale expected. While safeguarding revenues for economic growth is a primary concern, so too is realizing the broader development benefits that may be garnered from the extractives sector, as well as mitigating the negative impacts of sector developments. Sierra Leone, like its neighbors in the Mano River Union, has historically witnessed that mining results in “growth without development.” Local grievances continue, revolving around ineffectually mitigated land and compensation claims, environmental and social impacts, exclusion from expected employment opportunities, and elite capture of local benefit sharing.

20. **Environmental Management.** Over the years, all categories of mining activities have operated under less than ideal environmental standards and have flagrantly neglected their mine rehabilitation responsibilities due to lack of clarity in the legal and regulatory frameworks as well as limited inspection of operations. This has resulted in unproductive land, deforestation, degradation with biodiversity loss, and water impacts due to dredging. To address this, EITAP1 provided support to a series of activities aiming to fill legislative gaps as well as provide much-needed capacity building to the NMA as the mining regulatory body, as well as to the Environment Protection Agency (EPA). The project prepared a Strategic Environmental and Social Assessment (SESA), which had as its main objective to propose recommendations for the resolution of the critical environmental and social issues, as identified by key stakeholders. These issues needed to be confronted for mining sector reform to be sustainable and to contribute to long-term development of affected communities and Sierra Leone. As a result of the recommendations from the SESA, a series of laws and regulations were drafted and approved: (a) Mines and Minerals Operational Regulations passed into Law on October 14, 2013; (b) Social and Environmental Regulations passed into Law on October 14, 2013; (c) Precious Minerals Trading Act approved by Cabinet in 2015; and (d) Resettlement Policy was the subject of studies and consultation in 2014, including a major exercise with affected communities in Lunsar, and was finalized. EITAP1 also supported a baseline study to provide strategic information on progressive measures to ensure adequate mine closure and land rehabilitation due to mining activities around the country. Its objective was to provide the necessary tool to propose measures to mitigate or reverse land degradation in mining communities. It established social, environmental, legal and operational baselines with respect to compliance with the mine closure requirements, as stipulated in the Mines and Minerals Act. Despite the many advances, capacity is still lagging and needs to be addressed.

21. **Artisanal Mining.** In Sierra Leone, artisanal mining activity is widespread. The country has long been associated with artisanal diamond mining, brought to the world’s attention through its protracted civil war in the 1990s. Today, an estimated 80 percent of Sierra Leone’s diamonds originate from artisanal workings, mostly in Kono District and Kenema District. The country also has a burgeoning—albeit, poorly analyzed—artisanal gold mining sector. In recent years: a growing number of individuals engage in the two activities simultaneously. Although the precise legal definitions of mine scales could be strengthened, artisanal mining is recognized to be a poverty-driven enterprise that is conducted using rudimentary tools and ad hoc mining methodologies. It is clear throughout Sierra Leone that artisanal mining impacts on



local livelihoods are tremendous albeit informal. (See Annex 4 for more information on the History and Evolution of Artisanal Mining in Sierra Leone.)

22. Alongside larger-scale extractives activity, Government is continuing to develop an approach to manage the positive and negative impacts of Artisanal Mining (AM) and other local livelihoods. Estimates from 2010 suggest that there are between 300,000 and 400,000 artisanal miners working in Sierra Leone, compared to approximately 14,000 employed in large-scale mines. Refinement of how “small-scale mining” is defined is essential in the current context where illicitly obtained, multiple holdings of artisanal licenses, including by single foreign entities, effectively translates into a small-scale mining operation but is beholden only to artisanal legal (and environmental) requirements, of which there are few. In addition to significant direct employment, in Sierra Leone evidence reflects that artisanal mining generates considerable indirect employment, particularly in agricultural production. The NMA estimates that at least 50 percent of artisanal mining in Sierra Leone is ongoing without a valid license and that the sector is under-regulated; “rush” mining (temporary, immediate discoveries) in protected areas and elsewhere contributes to harmful environmental and social impacts that are not adequately understood or addressed. Alluvial diamond mining underpinned earlier local patronage systems and, as recently as 2006, accounted for upwards of 80 percent of Sierra Leonean diamond exports. But, as commodity price trends vacillate and deposits are depleted, artisanal miners have necessarily moved back and forth between alluvial diamond mining and higher-value propositions such as gold mining. These shifts in activity and geography entail changing impacts, and dialogue on how to situate the new Artisanal Mining Policy within a broader Mineral Policy is ongoing.

23. **The Ebola outbreak did not have a long-lasting significant impact on the large-scale mining sector in Sierra Leone, but the effects on the artisanal mining sector were significant**, mostly related to the increased number of women who have turned to mining after being widowed and having to provide for their families or even extended family members. A recent joint IFC/World Bank study on Women and Mining clearly shows that link. EITAP2 will be supporting some recommendations from that report once the report is finalized by December 2017. The EITAP2 Project Preparation Advance is already financing an alternative livelihoods study to propose concrete activities to support mining communities with a special focus on women and youth.

24. **Baseline Study on Artisanal Mining.** Although it is widely agreed that the artisanal mining sector in Sierra Leone is significant in terms of numbers of artisanal miners and production quantities, there is only anecdotal evidence to support this claim. EITAP2 will fund a formal Baseline Study on Artisanal Mining in Sierra Leone, to quantify, document and analyze the extent to which artisanal mining happens, where it happens, who does it, what they mine, and why.

25. **Mineral Production.** A change in ownership of the two main iron ore mines has occurred: Africa Minerals was bought by Shandong Iron and Steel Group, and London Mining was bought by Timis Corporation. Production at the Tonkolili mine (Shandong) resumed in January 2016. All key contracts are now in place and projections are for a total production of 12 metric tons in 2016. Total mineral production increased from US\$31.1 million in January 2017 to US\$55.8 million in March 2017. Iron ore accounted for over half of total mineral production and total exports. The viability of the mining sector is vital to economic recovery and macroeconomic stability. The challenge continues to be the ongoing fall in iron ore prices, high production costs due to an existing production contract, pressure to maintain workforce through a Memorandum of Understanding MOUs signed between the Government and Shandong Iron



and Steel Group, and historic debt payment that has yet to be resolved. Shandong’s plans remain unclear given that the mine is highly likely to be significantly loss making at current prices. Market estimates indicate a breakeven price for Shandong of US\$65-75 per metric ton and the Shandong Group continues to do poorly, limiting the scope for cross-subsidizing operations over the value chain (See Figures 1 and 2 below for illustration).

Figure 1: Mining Production 2016, Sierra Leone (source: NMA)

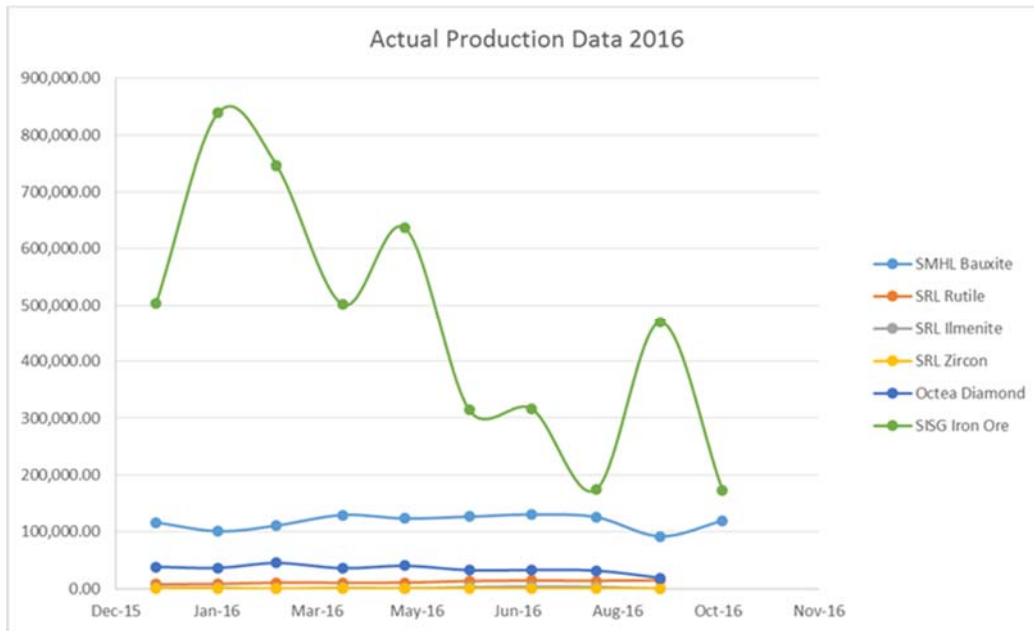
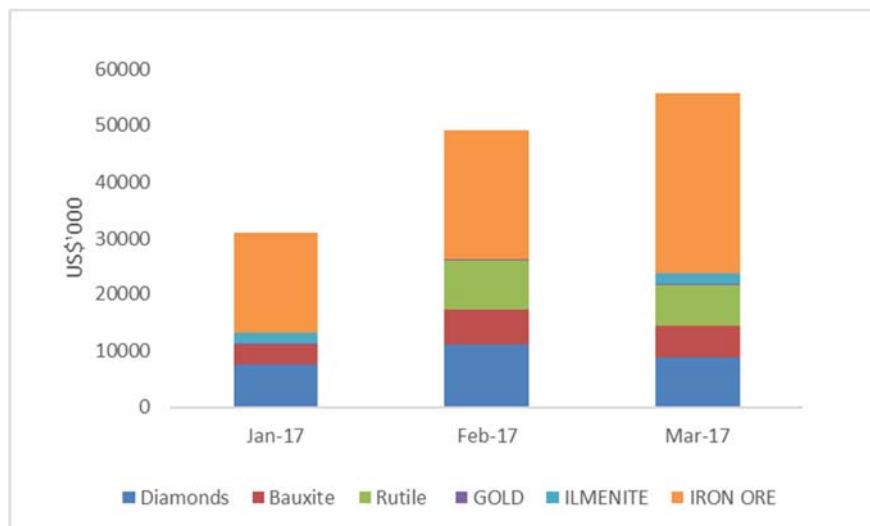


Figure 2: Mining Production (Values) – Quarter 1 2017, Sierra Leone (Source: NMA)





26. Large-scale diamond production continues to grow and the projections for 2016 surpass 358,000 carats (industrial and artisanal production). The expectation is that this number will increase considerably as Sierra Leone's second-biggest diamond mine from two high-grade deposits is expected to begin operations in early 2018. Stellar Diamonds will acquire the Tonguma project from Octea Mining and combine it with its own neighboring Tongo deposit to build a mine with a resource of five million carats underground. The company hopes to raise US\$25 million from various sources—including existing investors, private equity and offtake agreements—to pay for the development of the mine, which it says could be up and running in early 2018. The Tongo-Tonguma project is expected to create up to 1,000 jobs and have an 18-year life.

27. **Oil and Gas Sector.** The discovery of oil in Sierra Leone's offshore waters has sparked considerable interest in the country as reflected in the surge of investors obtaining exploration rights through petroleum agreements. At the same time, because of low global oil prices and unsatisfactory offshore exploration results, the oil and gas sector in Sierra Leone is currently experiencing serious difficulties, and to capture sector benefits, Government must prepare a strategy for development of the oil and gas industry, and identify main areas and forms of Government's contributions in its further enhancement. In parallel with the development of the oil and gas strategy document, the World Bank will continue to support the Petroleum Directorate's ongoing activities on obtaining data, its interpretation and management, and staff capacity building.

28. **Relationship to the World Bank's Gender Strategy.** Large-scale mining is an overwhelmingly male occupation, but women tend to play a significant role in artisanal mining activities. In 2014, UN research identified the various challenges facing women in artisanal mining in sub-Saharan Africa, which are also applicable to Sierra Leone. These challenges include critical inaccessibility of capital and financing for the mining operations from mainstream financial facilities; the lack of appropriate machinery and technology; and lack of access to information on availability of mining claims, among other things.

29. A recent study, "Women Economic Empowerment in Sierra Leone: Gender Empowerment in Mining³" found that there appears to be consensus that the expansion and diversification of livelihoods is the answer for economic regeneration and stabilization in artisanal mining communities in Sierra Leone, but there is insufficient information regarding which livelihood activities are viable. The study consulted with a broad spectrum of stakeholders in Kono and Tonkolili to identify alternative livelihoods, especially those with potential to involve women in viable income generation activities and drive economic growth in artisanal mining communities. A parallel objective was to assess market opportunities for the identified alternative livelihoods. The findings of the study will be used to inform the project-level interventions in Component C on Artisanal Mining.

30. **Despite the progress achieved under EITAP1, there is a need to guarantee the sustainability of the reforms carried out and to enhance the attractiveness for high quality investments so that the extractives sector can continue to be an important source of growth and development.** The continuing institutional capacity and geodata deficits pose considerable challenges for progress—for instance, the lack of geological information that would facilitate more leverage and better strategic planning around mineral licenses, or the lack of in-house petroleum capacity to prepare for and monitor oil and gas production. Under EITAP1 the extractives sector institutions were able to build considerable capacity and

³ World Bank 2017. Women Economic Empowerment Study in Mining Communities in Sierra Leone.



operate under good technical standards. The creation of the NMA enabled the regulation of the sector to be done at a professional level. The recently approved legislation guaranteeing the financial sustainability of the institution was an important milestone and will provide the funding needed to continue improving.

31. Post-Ebola recovery has stressed public budget and resources, thereby constraining the country's overall availability of finance to sustain and scale-up regulatory and institutional reforms started under EITAP1. Thus, this second generation of reforms being proposed under EITAP2 will be fundamental to guarantee a stronger and more transparent management of the extractives sector.

32. **A main constraint to maximizing revenue from the mining sector is the uneven application of the fiscal regime.** Most of the counter-performance reflects the weaknesses remaining in the legal and regulatory framework, and the governance of the extractive sector in general. The 2009 Mines and Minerals Act and 2011 Petroleum Act, although very robust leave room for different interpretations leaving the Government and license holders to rely on highly interpretive and often personalized agreement on operating terms. Without correction, it will be challenging to effectively manage the sector and to adequately capture revenues, safeguard the environment and ensure long-term benefits to the country. EITAP2 will support revision of both Acts.

33. **Lack of complete, reliable, and readily available geological data/map affects investor confidence in the minerals sector, weakens Government's ability to negotiate better mining investment agreements, and affects overall contribution of the sector to the Government's poverty reduction agenda.** Without adequate geological knowledge of the country, it is not possible to attract investment for exploration or develop the mining sector proportionally to its geological potential. Internationally, it is accepted that restricting exploration only to known areas is a serious handicap for the discovery of new resources and a dramatic restriction on the development of the mining sector. The only geological maps covering the entire country are four sheets at scale 1:250,000, with very limited geochemical information. In addition, there is also a substantial lack of geochemical and remote sensing data. The existing information is stored in a computerized system, the Geo-Data Information Management System (GIMS). This system was developed under EITAP1 and is designed to manage large volumes of data. EITAP2 will provide the support to extend the performance of the system and provide significant amounts of geodata that corroborate the growing knowledge of Sierra Leone's geology. A Data Management Policy will also be developed and approved before the airborne geophysical survey work begins, to ensure that the information will be properly safeguarded.

34. **There is little ground for disputing that artisanal mining activities—in this case, the informal activities—have their share of complications and adverse effects more specifically relating to environmental and health-related concerns.** Like most artisanal mining in sub-Saharan Africa, activities in Sierra Leone, which are chiefly 'dig and wash' in nature, have an impact on the environment. However, rectifying this problem is not simple. Since 2001, the Government of Sierra Leone has collected a reclamation fee of Le 200,000 per plot (200 x 200 feet) for all artisanal mining leases, but this fund has largely been ineffective. Not only does it place the responsibility for rehabilitation on the Government (rather than those who are responsible for degrading the land), but it also fails to yield sufficient funds for land rehabilitation. Further complicating the situation is a lack of transparency in the use of the fund. Reports indicate that the fund is kept in a separate Government of Sierra Leone account, but there are no



records on how it has been used.⁴

35. **Concerns about health and safety of artisanal miners—yet another problem typical of most artisanal mining activity in sub-Saharan Africa—are equally legitimate in Sierra Leone.** During implementation of EITAP1 and Life after Diamonds (LaD), diggers of all ages were observed to be undertaking arduous work in unhygienic, and sometimes dangerous, conditions. Due to the informal and unregulated nature of the artisanal mining sector, numerous operators have been forced into exploitative relationships with middlemen, becoming trapped in vicious cycles of borrowing and indebtedness.

36. **The extractive industries sector is and will continue to be a vital sector for Sierra Leone’s economic growth given its important contribution to government revenues, export relevance and job generation (direct and indirect).** To continue advancing on the necessary reforms and in building governance of the sector, EITAP2 is timely and needed. Building Sierra Leone’s geological infrastructure is vital and a key project activity that should be prioritized. Additionally, the project’s support for the implementation of the new Artisanal Mining Policy will help to address some of these issues associated with artisanal mining. In the context of capacity building, the new project will continue to support the National Revenue Authority (NRA) and the National Minerals Agency (NMA) on issues such as transfer pricing and addressing the fiscal regime discrepancies to maximize revenues captured from the mining and petroleum sectors.

C. Higher Level Objectives to which the Project Contributes

37. **The Government’s “Agenda for Prosperity” (AfP), Sierra Leone’s third generation Poverty Reduction Strategy Paper covering 2013-2018 aims to promote inclusive growth, economic diversification and value-addition.** EITAP2 is aligned with the priority actions of Pillar 2 of the AfP on Improving Sierra Leone’s Natural Resource Management. However, because of the Ebola epidemic, implementation of the Agenda was suspended and replaced by the President’s Post-Ebola 24-month Recovery Plan which ended in June 2017.

38. **The Country Assistance Strategy Progress Report, covering the period from fiscal years 2010 to 2013, was prepared before the twin shocks of the Ebola epidemic and the slump in iron ore prices.** Since then, the country’s macro-economic and sector context have changed significantly. A Systematic Country Diagnostic (SCD) is currently being prepared (draft October 2017). The new SCD highlights how the economy contracted by more than 20 percent due to the spread of the Ebola epidemic and after both iron ore operations ceased production due to low international prices. Iron production declined by 84 percent in 2014 and growth in the rest of the economy slowed to near zero, with the services sector being particularly hard-hit. Growth resumed in 2016 following the end of the Ebola outbreak and the return to operation of the largest iron ore mine. It also states that there are four pathways by which Sierra Leone can accelerate growth and reduce poverty: (a) strengthening the productivity of the agricultural base, (b) diversifying the economy and creating poverty-alleviating jobs, (c) strengthening the management of mineral resources, and (d) increasing human capital for new opportunities.

39. **EITAP2 will also support the implementation of the new Minerals Policy (to be approved by**

⁴ Diamond Development Initiative (DDI), 2009. Filling in the holes: Policy Implications in Land Rehabilitation: Sierra Leone’s Artisanal Diamond Mining Challenge. Diamond Development Initiative, Ottawa.

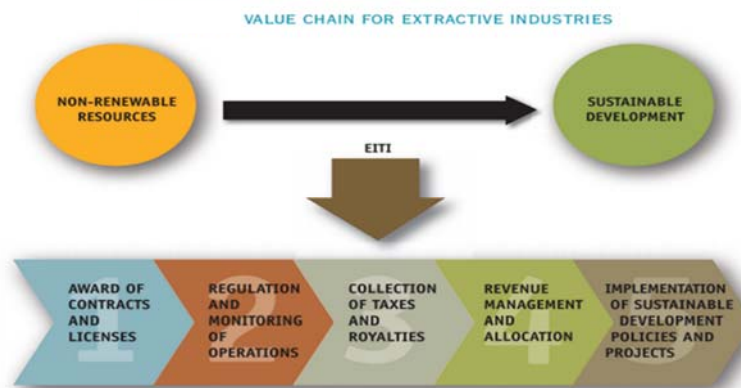


end-2017), which covers the management of all mineral rights in the country and includes activities throughout the minerals value chain from the collection of geo-science data and geological survey work up to and including the processing and export of minerals. Furthermore, the scope includes the contribution of the sector to the overall transformation and development goals of Sierra Leone. Implementation of both the new Minerals Policy and Artisanal Mining Policy will also address issues of transfer pricing, revenue management, dispute resolution, harmonization of land policies, skills development and improved environmental management in the sector. A Minerals Policy Unit is also being established at the Ministry of Mines and Mineral Resources, and EITAP2 will support capacity development of the Unit to ensure proper implementation of the Minerals Policy and Artisanal Mining Policy.

40. **Though many other development partners are actively involved in supporting the Extractives sector, the World Bank’s contribution will be significant.** The project will complement ongoing efforts by Development Partners in Sierra Leone, including the International Monetary Fund, the African Development Bank, the United Kingdom Department for International Development (UK DFID), and Germany’s GIZ. Annex 4 summarizes the complementary nature of the World Bank’s interventions and those of the other partners.

41. **The World Bank’s contribution will be important mainly because of its comparative advantage relative to other development partners (and the private sector) of its ability to work with client countries across the entire Extractive Industries Value Chain** (illustrated in Figure 3 below). The World Bank developed this holistic approach in 2004 to consider the entire lifecycle of extractive industries project development, from first discovery of resources through development and exploitation through decommissioning.

Figure 3: Extractive Industries Value Chain



42. **EITAP2 will touch all five chevrons of the Extractive Industries Value Chain.** The World Bank has the instruments to: (i) support the enabling environment to attract investors; (ii) enhance capacities for oversight and enforcement of operators’ obligations, including tax payments; and (iii) facilitate community development and protection of the rights of impacted constituencies. Hence, the value



addition of the World Bank engagement is found in the balanced and multi-dimensional sector support, which targets all aspects of sector governance in the interest of promoting poverty reduction and shared prosperity.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

43. The proposed project development objective is to strengthen governance, knowledge, and sustainability of the extractives sector in Sierra Leone.
44. The PDO will be achieved by:
 - i. Improving overall sector governance and removing key constraints to development of the minerals sector (Component A);
 - ii. Enhancing geological knowledge of Sierra Leone and attracting private sector investment (Component B); and
 - iii. Increasing formalization of artisanal miners and implementing the Green Gold Pilot (Component C).

B. Project Beneficiaries

45. The primary beneficiaries will be the Government of Sierra Leone, including the Ministry of Mines and Mineral Resources (MMMR), the National Minerals Agency (NMA), the Petroleum Directorate (PD) and the Environmental Protection Agency (EPA), and other government entities involved in extractive industries sector administration and oversight, through institutional reform and capacity building. The people of Sierra Leone and artisanal mining communities will also benefit from improved environmental protection, the mitigation of social impacts, and attention to the distribution of benefits from mining operations, including access to potential employment and public services. The international investment community will also benefit through improvements to the regulatory regime and Geo-Data Knowledge and Management that will facilitate foreign direct investment.

46. The MMMR's and the NMA's capacity to plan, coordinate, and monitor interventions in the extractive sector will be particularly enhanced. Among essential personnel within these key sector institutions, cadres at all levels will benefit from project support including the NMA Regional Offices.

C. PDO-Level Results Indicators

47. **Key outcome and intermediate outcome indicators have been selected to measure the achievement of the PDOs and component results.** In addition, the project will monitor several core sector indicators such as the number of direct project beneficiaries, including the proportion of female and youth beneficiaries. The key results indicators for this operation will be as follows:

PDO level indicators:



- a. Enhance overall governance of the extractives sector by implementation of the Policy Actions Matrix of the Minerals Policy (percentage);
- b. Enhance geological knowledge by completing a nationwide airborne geophysical survey (percentage);
- c. Increase formalization of artisanal miners by issuing new mining licenses (number)

III. PROJECT DESCRIPTION

A. Project Components

48. The project design includes activities to be implemented under three main technical components, in addition to a project implementation component.

49. **Component A—IMPROVE MINERAL SECTOR GOVERNANCE (US\$2.99 million).** Component A is aimed at enhancing the overall governance of the sector and removing several key constraints to sector development. This component is comprised of the following subcomponents: (i) Strengthening extractive sector governance, transparency, accountability, and administration; (ii) Strengthening the legal and regulatory frameworks; (iii) Supporting the implementation of the recently updated Minerals Policy and Artisanal Mining Policy; and (iii) Conservation of resources, environmental monitoring, and public participation.

50. **Component B—ENHANCE GEOLOGICAL KNOWLEDGE (US\$11.52 million).** This component entails building Sierra Leone’s geological infrastructure by completing the coverage of geological maps and acquisition of airborne geophysical data. The expected outcome of this component is to provide basic and reliable geological information necessary to facilitate the promotion of private investments in the mining sector and to support the planning of the socio-economic development of the country. The subcomponents include: (i) Airborne geophysical survey; (ii) Geological mapping and geodata integration; and (iii) supervising airborne geophysics campaign for quality control of flights and data.

51. **Component C—ARTISANAL MINING (US\$3.18 million).** This Component is aimed at developing measures to support and encourage formalization, regulation and improved standards of production of artisanal miners, including the following subcomponents: (i) Strengthening governance in artisanal mining; (ii) Strengthening health, safety and environmental management of the artisanal mining sector; and (iii) Green Gold pilot.

Component D—PROJECT MANAGEMENT (US\$1.96 million). Building on the lessons learned and capacity acquired during EITAP1, this component aims to support the Government of Sierra Leone to manage and coordinate the Project and build its procurement, financial management, safeguards management, monitoring and evaluation capacity through the provision of technical advisory services, training, acquisition of goods, and operating costs. The project also envisages an external support action to enhance and professionalize project management (certifications PMP, project server etc.), in addition to the traditional project administration and coordination roles.

52. **Component E—CONTINGENCY FOR DISASTER RISK RESPONSE.** This provision is being included to provide support to respond to an Eligible Emergency including: (a) designing and carrying out the relevant sector investments; and (b) providing supervision for carrying out said investments.



B. Project Cost and Financing

53. **The proposed lending instrument is Investment Project Financing (IPF).** The US\$20 million cost of the Project will be financed by an IDA Grant. The table below summarizes the project’s costs by component.

Project Components	Project cost	IBRD or IDA Financing	Trust Funds	Counterpart Funding
<i>Component A: Improve Mineral Sector Governance</i>	2.985	2.985	---	---
<i>Component B: Enhance Geological Knowledge</i>	11.523	11.523	---	---
<i>Component C: Artisanal Mining</i>	3.180	3.180	---	---
<i>Component D: Project Management</i>	1.961	1.961	---	---
<i>Component E: Contingency for Disaster Risk Response</i>	0.000	0.000		
Contingency	0.351	0.351	---	---
Total Costs	20.000	20.000	---	---
Total Project Costs				
Front End Fees				
Total Financing Required	20.000	20.000		

C. Lessons Learned and Reflected in the Project Design

54. Lessons learned from the Extractive Industries Technical Assistance Project (EITAP1), as spelled out in the Implementation Completion Report (ICR) (Draft of October 13, 2017) include the following:

- Technical assistance for increased transparency in regulation and more efficient revenue management in extractive industries can provide substantial value for money, diminishing country risk perception by investors/licensees and expanding sector revenues, especially if timed to coincide with a boom in the sector. ***EITAP2 will continue the work started under EITAP1 to improve governance and transparency of the extractives sector in Sierra Leone.***
- Individual technical assistance projects in extractive industry management, coordinated among donors and aligned with higher level country objectives, can appear to be a de facto programmatic operation, covering multiple facets of a sector strategy but the arrangement is likely to lack the integration and focus of a formal programmatic operation. The World Bank-DFID cooperation for



EITAP1, combined with World Bank management of the trust funds Extractive Industries Technical Advisory Facility and Japan Social Development Fund for the Life after Diamonds project, touched on all the links in the Extractive Industries Value Chain. However, they were not fully integrated in a single operation and therefore were treated as discrete project focusing on their individual inputs and outputs rather than an integrated outcome. Even within the same project, the World Bank-UK DFID cooperation was not fully integrated in that they had different results frameworks. For EITAP2, all funding will be provided through the IDA grant. Collaboration with DFID will continue, but not in the form of co-financing. The activities funded by DFID and implemented by the British Geological Survey (BGS) will be closely coordinated with EITAP2 and avoid overlap.

- If a project’s Monitoring and Evaluation framework lacks clear, causal linkages—from outputs to intermediate outcomes to final outcomes—a loss of focus can result and diminish project outcomes. It is likely that with more clearly defined institutional outcomes for EITAP1 and the logical chain of actions and agreements to attain them by project closing, the M&E framework could have resulted in a highly satisfactory project outcome, instead of satisfactory. For EITAP2, the Monitoring and Evaluation (M&E) Framework was designed to clearly guide the logical chain of activities to reach the desired PDO.

55. The EITAP1 closed December 31, 2016. The regulatory framework that GoSL put in place during EITAP1, which included strengthening institutions (primarily the MMMR, NMA and Petroleum Directorate) and developing regulations, were major milestones in creating transparency and ensuring good sector governance guided by the principles of a transparent, non-discretionary and efficient mining sector administration and management.

56. These results, while encouraging, remain susceptible to regression which will ultimately impact on the ability of the country to attract high quality investment into the sector. Mineral lease agreements have been undermined by ineffectual contract management and “side agreements” between GoSL and the industry players. Concerns include failure to collect tax and revenue from the sector transparently and uniformly, and not passing remaining legislation, such as the Extractive Industries Revenue Bill, that if passed would end the use of side agreements and streamline the revenue collection process.

57. The Country Assistance Strategy Progress Report (FY10-FY13, July 10, 2012) highlights the need to focus on citizen engagement and protecting the economic and social rights of communities directly affected by mining operations.

58. There is also a recognition that Sierra Leone must address the lack of geological data available for the country, through increased mapping of geological resources and acquisition and management of existing geodata.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

59. The MMMR will be the implementing agency for the project and will provide policy guidance, planning, coordination, technical assistance and capacity building through the MMMR Project



Implementation Unit (PIU) including consultants to implementing institutions and beneficiaries. The PIU will coordinate the project implementation, including the following institutions and departments:

- Ministry of Mines and Mineral Resources
- DFID, GIZ
- EITAP Project Implementation Unit
- National Minerals Agency
- Ministry of Finance and Economic Development
- National Revenue Authority
- Environment Protection Agency
- Ministry of Lands & Country Planning and Environment
- Local Authorities
- Mining Companies
- Private Sector Consultants and Suppliers
- Petroleum Directorate
- Strategic Policy Unit

However, the PIU retains primary responsibility for procurement and disbursement. All requests to the World Bank under the project will go through the office of the Project Coordinator.

60. The project will be implemented over a period of five years. The MMMR will be responsible for the overall project coordination and management. The MMMR has set up a Project Implementation Unit which is supervised by the Permanent Secretary of MMMR. The PIU has been operational since September 2012 and has built capacity and experience in project management, procurement and financial management. The PIU is comprised of a Project Coordinator, a Procurement Specialist and a Financial Management Specialist supported by a Procurement Assistant. The PIU has successfully implemented the first phase of the EITAP project to completion which closed in December 2016. The MMMR will continue to provide the physical office space and supporting institutional frameworks for effective management of the PIU. The PIU will carry out the day-to-day project management including procurement, disbursement, financial management, and monitoring and evaluation for the project. The PIU would assist the MMMR in ensuring that the project activities are carried out in accordance with agreed project objectives and performance targets. When the Policy Directorate becomes operational, it will become a beneficiary under the technical assistance program for MMMR and will implement the mandate of MMMR as a policy formulator, while project management and coordination will remain to be handled by the MMMR's PIU.

61. **Composition of the PIU.** The core PIU includes a Project Coordinator, Procurement Specialist, and Financial Management Specialist (pending operationalization of the Project Fiduciary Management Unit PFMU). These three positions have been filled with competent consultants with the requisite qualifications and experience to undertake the tasks of project management, procurement management and financial management respectively.

62. **Project Operational Manual.** A draft of the Project Operational Manual (POM) has been prepared by the PIU in accordance with good practices as set out in the EITAP project and includes detailed description of the logistics regarding project implementation (i) coordination between stakeholders and other donor-funded projects in the sector; (ii) appropriate level of delegation of authority to the PIU; (iii) document flows; (iv) procurement procedures; (v) financial management procedures and reporting; (vi)



disbursement procedures; (vii) format and procedures for processing of Annual Work Plans and Budgets, and (viii) environmental and social management guidelines. The POM will be submitted to the World Bank for prior review and approval and is an effectiveness condition. Further revisions and updates during project implementation will be undertaken on an as needed basis and will be subject to the World Bank's prior review and approval.

63. **Annual Work Plans and Budgets.** The Government, prior to negotiations, has prepared the annual work plan and budget for the first year of project implementation. The plan includes an updated procurement plan, training plan for the forthcoming year, activities to be implemented under the project during the year with a timeline, estimated operating budget, and other costs to be incurred during the year. The format for the Annual Work Plan has been developed and forms a part of the POM. The plans will be due by December 1 of each calendar year for the period covering January 1–December 31 of the following year during the project implementation. The Plans will be prepared by the PIU and will be approved by the MMMR before submission for approval by the World Bank. Changes to finalized Annual Plans and Budgets will require prior approval by the World Bank.

B. Results Monitoring and Evaluation

64. M&E is a key activity in the project and will be carried out by the PIU at the MMMR based on the indicators and milestones developed in the Results Framework (Annex 1). A robust M&E system will be developed early on in project implementation to monitor progress and ensure impact. Where applicable, M&E will include gender-disaggregated data. Strengthening client capacity for M&E for the sector will be an integral part of the project to enable the relevant institutions to keep track of environmental safeguards implementation and compliance.

65. The PIU will have overall responsibility for monitoring and evaluating the project subcomponents/activities in accordance with the indicators and benchmarks included in the Results Framework. The other beneficiary agencies will be responsible for collecting, analyzing and supplying the indicator data relevant to the project components/activities under their implementation to the PIU. The mechanism of feeding the indicator data into a centrally managed system in the MMMR is reflected in the POM.

66. No later than 45 days after each quarter, the MMMR will submit to the World Bank the consolidated quarterly progress reports covering all project activities, including a procurement and a financial summary report. Biannual reviews, the first one to take place six months after effectiveness, should provide detailed analysis of implementation progress toward achieving the project development objectives and include evaluation of the financial management and a post review of procurement aspects.

C. Sustainability

67. The Government of Sierra Leone (GoSL) is committed to the implementation of the project. The authorities and stakeholders realize that the mining sector constitutes the key growth opportunity and lever for the development of other economic and socially productive activities.



68. Key parameters for sustainability include the Government's commitment to implementing the sector reform agenda, as illustrated in their successful implementation of EITAP1. Mining is a priority sector to bring about development and improvement of socioeconomic conditions in Sierra Leone while also increasing its attractiveness to investors. In the long run, investments in the sector are expected to provide sustained revenues for wider development purposes as well as for sustaining sector oversight and management systems set up during the project.

69. At the national level, the project will help improve the GoSL's capacity to (a) manage the sector properly; (b) ensure that the revenues due to the Government from mining, including artisanal mining, are collected; and (c) support local economic development and value addition for mining. The project is also expected to strengthen Sierra Leone's policy/regulatory framework and enhance its institutional and human resources capacity to address the economic, environmental and social impacts of mining as well as stimulate private sector participation.

70. At the community level, sustainability will be supported by positive changes fostered by including mining communities in essential decision-making processes. Specifically, the communities are expected to see increased influence over local economic development, use of revenue generated by mining activities to foster development at the local level, and improved socioeconomic linkages to the mines. By supporting artisanal miners to improve their formalization, the project is expected to improve management of mineral resources toward contributing to increased mineral revenues and the promotion of sustainable livelihoods.

D. Role of Partners

71. See Annex 2, Table 2.7 on Development Partner Support to the Extractives Sector in Sierra Leone.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

72. The overall risk associated with EITAP2 is moderate. The project is a Technical Assistance Grant and has no technical design issues as proposed activities are mostly a continuation of the previous EITAP1 which was successfully implemented. EITAP1 provided substantial capacity building of staff and institutions for procurement, financial management and project management capacity. It has also built capacity on the preparation and implementation of environmental and social regulations and frameworks. The PIU consists of high level professionals with experience in implementing World Bank projects. Additionally, the PIU is located at and well-integrated within the structure of the MMR, reporting to the Permanent Secretary and to the Minister, an arrangement that has resulted in a smooth and dynamic project implementation. This arrangement is not expected to suffer any changes for the new operation. Considering the current in-house capacity and mitigation measures in place, risks are expected to remain moderate.

73. The high-risk ratings refer to: (a) political and governance; (b) macroeconomic; and (c) fiduciary. A summary of these risks is explained below with their respective mitigation measures.



Political and Governance Risk

74. Political and governance risk are judged to be high in terms of their effect on the program development objectives. Political risk is considered high given the fragile context and the upcoming elections scheduled in March 2018 and the likelihood that it could affect the sustainability of the reforms carried out under EITAP 1 and which will continue to be strengthened under this operation. Despite high alignment with the country's agenda for prosperity, and the importance of the extractive industries for Sierra Leone, there is a risk of uneven commitment to reforms. Overall transparency, including in procurement, could also decline as the country moves towards the next presidential elections schedule on March 7, 2018.

Macroeconomic Risk

75. The risk of continuing domestic and external imbalances is high, and the consequent macroeconomic effects could undermine the country's overall economic performance. Macroeconomic risks for the country are judged to be high with four components—lower than expected domestic revenue, decline in foreign aid, deterioration in terms of trade, and economic downturn in trade partner, including UK. First, the projected increase in domestic revenue (29.9 percent) appears too optimistic compared to the last few years and the actual number in the first quarter of 2017, on which domestic revenue increased by 10 percent only on a y-o-y basis. Gain expected from new tax policy measures (adjustment of retail fuel prices, introduction of GST on electricity) effective before January 2017, may continue to fall short of expectations as in the first quarter of 2017, where total domestic GST fell by 10 percent. The shortfall in domestic revenue mobilization could lead to a larger fiscal deficit than expected and thus lead to more accumulation of arrears. Second, aid inflows could also fall short of projections, particularly if development partners perceive a weaker Government commitment to reforms. Third, a deterioration in the terms-of-trade, particularly an increase in fuel prices in the medium term coupled with further decrease in iron ore prices could lead to higher depreciation and inflation and, possibly, to social unrest. Fourth, a protracted or deepening macroeconomic downturn in main trading partners, mainly China and in Europe, including United Kingdom (UK5), still represents a significant risk. Macroeconomic risks are judged to be moderate in terms of their effect on the project development objectives. These risks are mitigated by a close monitoring under the proposed Development Policy Lending Operations (DPOs) series and the Authorities' forthcoming program with the IMF.

Fiduciary

76. Overall fiduciary environment for the country is weak. There is little evidence that key principles including value for money, economy, efficiency, effectiveness, integrity, transparency, and accountability are followed. Despite the country's overall fiduciary risk being high, project implementation for EITAP 1 was considered satisfactory and the World Bank's fiduciary requirements were met. The fiduciary arrangements, which will remain unchanged for EITAP 2, are designed to mitigate this risk.

⁵ Over a quarter of Sierra Leone's exports went to EU countries in 2012-2014, of which over one half went to UK, while imports from EU represented more than 20 percent in 2015. DFID is one of the major donors in Sierra Leone while significant part of FDI were received from UK.



Risk Category	Rating
1. Political and Governance	High
2. Macroeconomic	High
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Low
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	High
7. Environment and Social	Low
8. Stakeholders	Low
9. Other	Low
OVERALL	Moderate

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

77. The economic benefits of this project, though difficult to measure precisely, given the technical assistance nature of this operation, are expected to be much higher than the proposed investment. The proposed project activities are expected to bring both direct and indirect benefits to Sierra Leone’s economy and to its people. Quantifying them is not a straightforward exercise, as it is difficult to precisely define the counter-factual scenario, i.e., what would be the outcomes in the sector without the World Bank’s involvement. Multiple uncertainties include mineral prices, technical feasibility, political stability and the overall governance of the extractives sector in Sierra Leone. Experiences from resource-rich countries across the world range from resource discoveries having an overall negative economic impact to being the main driver of inclusive economic development. In Sierra Leone mining investments and revenues have been, in the past years, the main driver behind the country’s economic growth. Given the potential and increasing interest in the mineral sector, supporting Sierra Leone to manage the minerals sector can help to ensure that the benefits reaped so far can be much higher. Sierra Leone’s mining sector offers the potential to bring multiple benefits including reduced dependence on external aid, diversification of the tax base, increased jobs and substantial foreign exchange benefits arising from both export earnings and import substitution.

78. Development impact for extractives sector TA can be best illustrated through the increased contributions from the sector to Government revenues which in return are reinvested in building human capital and infrastructure. In the case of Sierra Leone, the sector’s contributions have been substantial over the years. This new project is expected to continue the positive trend. As a TA project, it does not finance any discrete investments which generates clear separate cash flows; thus, it does not lend itself to traditional measurement of net present value or economic rate of return. Rather, the project is justified based on the cost-effective achievement of development objectives. Similar technical assistance projects



executed in other countries have demonstrated that the cost of improving governance of the sector, increasing the capacity for sector oversight, and strengthening geoscience data acquisition and government institutions significantly improves the use, distribution, and management of benefit streams.

79. The first mining/extractives technical assistance project (EITAP1) was fundamental in supporting the necessary institutional and legal reforms that increased the country's interest for foreign investors. The close link between the increase in governance and transparency promoted by the project and the number of new extractives sector investments is no coincidence. The creation of the NMA and professionalization of the extractive institutions significantly decreased the country's perceived risks and enabled several new projects to be developed. This resulted in a stronger contribution from the sector to the country's GDP growth. Real GDP growth averaged 6.3 percent annually during this initial phase of economic recovery which lasted until 2009, when the effects of the global financial crisis and the international food price crisis resulted in a halving of GDP growth. Following this brief slowdown, economic activity accelerated as real GDP averaged annual increases of 11.5 percent until 2013, led first by sizeable inflows of Foreign Direct Investment (FDI) related mainly to the start-up of two large scale iron ore mines and subsequently by iron ore production and exports. The construction and services sectors were particularly vibrant in this period in terms of contributing to employment. In 2014, non-iron ore GDP growth stagnated in large measure the result of the Ebola epidemic that gripped the country and, in 2015, real GDP growth declined markedly by over 20 percent due both to the Ebola impact and the demise of the mineral sector, led by the closure of the two iron ore mines.

80. The EITAP2 project is designed to support the Government of Sierra Leone to strengthen governance, knowledge, and sustainability of the extractives sector in Sierra Leone. The World Bank's value added can be seen from similar engagements in other countries as well as through the support that the World Bank has been providing to Sierra Leone in this area through EITAP1 and other trust-funded activities. The Government values the World Bank's support so far and has requested further technical assistance. Moreover, other donors value the World Bank's engagement because of its leading role in the sector.

81. The EITAP2 project will support improved monitoring of production statistics and enhanced tax collection, which are expected to generate short-term gains through additional revenue to Government from more efficient methods of tax assessment and collection. However, efficiency gains cannot be quantified, nor directly attributed to the project. The longer-term impacts are expected from increased investor interest which will produce valuable geological information of interest not only to the mining industry but also hydrologists, the agricultural sector, and rural planning. In addition, it is extremely difficult to give an estimate of the full potential revenue, linked to geoscience work and actual geological mapping for some areas in EITAP2. In terms of placing a dollar value on the activities and outcomes of geological surveys, a simple formula is: *"Every US\$1 million of government investment to enhance the geoscience knowledge base will likely stimulate US\$5 million of private sector exploration expenditures, which, in turn, will result in discovery of new resources with an average in situ value of US\$125 million."*⁶

82. However, based on a conservative view that 5-15 percent of exploration companies' budget may be spent on data acquisition and that half of this may be spent purchasing geological data for exploration, by supporting Sierra Leone within this domain, the EITAP2 project could strengthen the geoscience

⁶ Boulton, R. B. 1999. *Refinement and Validation of a Costs, Benefits and Impact Model for the Targeted Geoscience Initiative*. Unpublished report, prepared for the Geological Survey of Canada, Natural Resources Canada, 57.



knowledge base of the country, and facilitate sector access. Some promising parts of Sierra Leone will be mapped in detail to identify targets and new assets and this will have an economic and development impact in the long run. This type of mapping work also provides multi-sector indirect benefits.

83. At the community level, the promotion of economic linkages and planning of infrastructure and social services is expected to improve economic and social indicators of beneficiary communities, as has been documented in Ghana, Guinea and Mali. Enhanced capacities for environmental and social management will lead to reduced risks of negative impacts and mine site accidents. However, the previously mentioned problems of quantification and attribution persist.

84. **Rationale for Public Sector Financing.** There is no alternative to public sector financing of institutional strengthening, pre-competitive data acquisition and capacity building of government agencies. Investment in institutional and organizational structures and skills development of staff is indispensable. The proposed project design aims at improving the Government's bargaining power vis-à-vis investors in situations of negotiations, oversight, and enforcement. At the same time, the project aims at crowding in private sector investment in the mining industry and associated infrastructure development. This objective will be realized through sectoral reform which will transform the role of government from being a (monopolist) operator in the sector to becoming a regulator and planning authority (through the decision support system) which guides and facilitates industry development.

85. **World Bank Value Added.** In 2004, the World Bank completed a multi-stakeholder review of the World Bank Group's support to the extractive industries which concluded that the World Bank Group can play an important role in the oil, gas and mining sector if it allows and designs its interventions for the extractive industries to contribute to poverty reduction. In response, the World Bank developed a holistic approach which considers the entire "lifespan" of extractive industry project development from first discovery of resources through development and exploitation through decommissioning. The approach is illustrated in the Extractive Industries Value Chain (Figure 3).

86. The competitive advantage of the World Bank compared to other development partners (and the private sector) is its ability to accompany all stages of the value chain. Accordingly, the World Bank is in possession of the instruments to: (i) support the enabling environment which will attract investors; (ii) enhance capacities for oversight and enforcement of operators' obligations, including tax payments; and (iii) facilitate community development and protect the rights of impacted communities. Hence, the value addition of the World Bank's engagement is found in the balanced and multi-dimensional sector support which targets all aspects of sector governance in the interest of promoting poverty reduction and shared prosperity.

B. Technical

87. **The Extractive Industries Value Chain.** (see Figure 3) The Extractive Industries Value Chain provides a sound basis to support reforms to accelerate the creation of sustainable development settings for the extractive sector of Sierra Leone. The value chain framework is particularly suited to EITAP2 as it is reflected in all the project components. Indeed, inadequate monitoring of extractive sector operations, unreliability of data on mineral production and hence revenues collected, the uneven distribution of internally generated wealth with still prevailing high poverty levels among the population, and the overall



failure of the sector to generate sustainable development, warrant the establishment of direct links to the institutional, revenue collection, governance, and sustainable development gaps to be filled by the project. In addition, Sierra Leone is committed to following the principles established in the Africa Mining Vision as a regional development framework for the development and use of the continent's mineral resources to drive transformation, industrialization and broad-based growth. The key elements of the vision are consistent with Sierra Leone's goal to attain middle income status by 2035. These include better governance of the minerals sector, equitable distribution of sector gains, and promoting broad-based growth and industrialization. The comparatively small size of Sierra Leone's domestic market with a population of 6-7 million combined with its low manufacturing and industrial base, make a compelling case for the country's participation in a robust regional approach to its minerals development agenda through which Sierra Leone can leverage gains from scale and diversity.

88. To lay the foundations for a more sustainable and transparent management of the minerals sector, a Minerals Policy and Artisanal Mining Policy were developed with the support of EITAP1. The goal of the Minerals Policy is to set out a clear framework through which the Government will manage the minerals sector to become a key driver of economic transformation, growth and development for Sierra Leone, that safeguards the environment, contributes to social development, improves livelihoods and is based on active stakeholder participation, transparency, accountability and respect for human rights. EITAP2 aims to support the implementation of these policies which reflects the understanding that the domestic economy should be the first and direct beneficiary of large-scale, small-scale, and artisanal minerals development. In addition, deliberate planning and targeted education, fiscal, revenue management, environmental, social programs and others will fully integrate the mineral sector with other sectors of the economy.

89. More specifically, the objectives of the Minerals Policy and Artisanal Mining Policy which are reflected in the project design include: (i) Enhance inter-governmental agency and multi-stakeholder coordination and collaboration; (ii) Ensure transparent, accountable, inclusive and effective governance of the minerals sector; (iii) Establish a viable geo-science database and data management system that will contribute to a strengthened technical and commercial capacity of Sierra Leoneans; (iv) Create a fair and predictable fiscal regime that increases market competitiveness, attracts legitimate investment and enhances sustained economic transformation, development and economic growth; (v) Promote improved revenue management with more equitable distribution of benefits and prudent investment of mineral revenues; (vi) Promote economic linkages between the minerals sector and other sectors of the economy that will catalyze economic diversification, growth, supports rural community development, and is supported by capacity building in appropriate human resources; (vii) Promote sustainable minerals development in a manner that protects human rights, and meets international health and safety standards; (viii) Ensure the application of high level environmental standards that are appropriate for all categories of mineral rights; and (ix) Enhance regional cooperation and collaboration for the management and governance of the minerals sector.

90. The proposed project will provide a considerable amount of technical assistance to most entities related to the management and regulation of the mining sector, including the MMMR, the NMA and other agencies reporting to the ministry and any other units involved in mining permitting and control; the relevant entities at the state and local levels; and civil society. The project has been prepared with the cooperation of mining technical experts in MMMR, NMA and includes a strong partnership with the British Geological Survey for the development of the geological infrastructure component. This component will



also seek a partnership with the University of Sierra Leone to address the need for more properly trained national technicians and professionals. Reversing the negative trend in sector education will be critical, as the average age of staff in public mining institutions is quite high and there is a shortage of younger mining professionals.

91. The project will continue the efforts initiated under EITAP1 to establish an enabling institutional and regulatory environment to help attract and sustain mining investment. It will strengthen the technical governance capacity of government staff to administer and regulate exploration and mining projects and to achieve socially acceptable and environmentally sustainable private investment in the sector. Expert technical assistance will also build capacity to establish professional relations with private companies, to foster development of the extractives sector. These capacities—all important building blocks of a strong sector—will strengthen the Government of Sierra Leone’s ability to promote the sustainable development of mineral resources.

C. Financial Management

92. The World Bank conducted a Financial Management (FM) assessment to determine the adequacy of the financial management systems of the Project Fiduciary Management Unit (PFMU) of the Ministry of Finance and Economic Development (MoFED). The assessment concluded that the FM systems of the PFMU of the MoFED meet the World Bank’s minimum requirements for the administration of projects funds under OP/BP 10.00.

93. PFMU is headed by an Interim Unit Manager who is responsible for ensuring the overall direction of work at the Unit. Under the direction and supervision of the Interim Unit Manager, the entire PFMU financial management team that comprises of the Finance Management Specialist (a qualified accountant), Finance Officer, Assistant Finance Officer, a Finance Assistant and two Administrative Finance Assistants is responsible for all the day-to-day financial management functions of specified donor funded projects.

94. PFMU has satisfactory planning and budgeting, accounting, internal controls, financial reporting and external auditing processes in place that will support the effective and efficient utilization of resources for the proposed project. The related operational costs of maintaining the staff during the life of the project, including computer hardware, stationery, mailing withdrawal applications, and printing project FM reports will form part of the costs that the project shall bear as part of project management costs.

95. PFMU will open a USD-denominated Designated Account (DA) at a commercial bank approved by the World Bank. The project will use report-based disbursements through the submission of quarterly interim financial report (IFRs) on the sources and uses of project funds. A forecast of the first six months of expenditures will form the basis for the initial withdrawal of funds from the Credit, and subsequent withdrawals will be based on the net cash requirements.

96. The Project will follow a cash basis of accounting and financial reporting and will submit quarterly IFRs of the project activities within 45 days of each Government of Sierra Leone (GoSL) fiscal quarter. At a



minimum, the constituents of the IFRs will be: (a) A statement of sources and uses of funds for the reported quarter and cumulative period from project inception, reconciled to opening and closing bank balances, (b) A statement of uses of funds (expenditures) by project activity/component, comparing actual expenditures against budget, with explanations for significant variances for both the quarter and cumulative period, and (c) Designated Account Reconciliation Statement.

97. The annual audited financial statements of the project shall be submitted to IDA within 6 months of the end of the GoSL's fiscal year (i.e. by June 30 each year). The external auditors will conduct the audits on the project financial statements on terms of reference as agreed with the Bank.

98. **Based on the assessment conducted, the overall FM risks were rated as 'High' before mitigation. If the planned risk mitigation measures are properly implemented, the residual FM risk is anticipated to be rated as 'Substantial.' A detailed description of the FM assessment is included in Annex 2.**

D. Procurement

99. Procurement under the project will be carried out in accordance with the "World Bank Procurement Regulations for IPF Borrowers of July 2016" and other provisions stipulated in the Financing Agreement. All procuring entities as well as bidders and service providers shall be expected to observe the highest standard of ethics during procurement and execution of contracts financed under the project in accordance with Section I and II of the "World Bank Procurement Regulations for IPF Borrowers of July 2016"; and the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants," dated October 15, 2006 and revised in January 2011, and other provisions stipulated in the Financing Agreement.

100. The project design will provide a window to enable the Borrower to carry out Advance Contracting in accordance with Section V (5.1 & 5.2) of the World Bank Procurement Regulations for IPF Borrowers.

101. As part of the preparation of the project, the Borrower (with technical assistance from the World Bank and Partners) has prepared a Project Procurement Strategy for Development (PPSD) which describes how procurement activities will support project operations for the achievement of project development objectives and deliver Value for Money (VfM). The procurement strategy is linked to the project implementation strategy at both country and the state level ensuring proper sequencing of the activities. It considers institutional arrangements for procurement; roles and responsibilities; thresholds, procurement methods, and prior review, and the requirements for carrying out procurement. It also includes a detailed assessment and description of government capacity for carrying out procurement and managing contract implementation, within an acceptable governance structure and accountability framework. Other issues considered include the behaviors, trends and capabilities of the market (i.e. Market Analysis) to respond to the procurement plan. The EITAP2 activities also require strong technical capability to prepare proper technical specifications to avert lack of, or inadequate, market response. This capability—or a plan to enhance it—is described in the strategy. The strategy includes a summary on: Procurement Risk, Mitigation Action Plan, and Procurement Implementation Support and Supervision Plan. **The procurement management risk for this project is assessed to be Substantial.** Annex 2 provides additional information on the fiduciary assessment and procurement arrangement under the new centralized PIU system in Sierra Leone, and on the PPSD.



E. Social (including Safeguards)

102. The project is classified as Category B like the previous EITAP1. It's a technical assistance project and as such physical impacts of the project such as land acquisition or air pollution are not anticipated. Furthermore, no physical works are anticipated under the IDA Grant, but an updated SESA, from EITAP 1, has been drafted and will be finalized as soon as Project becomes effective, to ensure that any potential adverse social and environmental impacts are mitigated in accordance with World Bank policies.

F. Environment (including Safeguards)

103. In the Climate and Disaster Risk Screening Report for EITAP2, **extreme precipitation and flooding** are identified as the key current and future risks climate-related risks for Sierra Leone. The current risk is rated as Low, and future risk is rated as Moderate due to an increase in annual rainfall of 15 percent and an expectation that the period of wet months may become longer. The Future rating is considered moderate as projections indicate that the expected project locations may be subject to exposure to heavy downpours and sustained periods of rainfall.

104. The potential impact on Components A and C due to exposure from **flooding** is modulated by the project's non-physical components (enabling and capacity building activities). However, **heavy precipitation** will limit the timing for the airborne geophysical survey, so the flight schedule will be developed to start after the end of the rainy season, and targeting to complete all flights before the end of the dry season.

105. This is a Technical Assistance project and no civil works are anticipated nevertheless, OP/BP 4.01 has been triggered. The updated SESA, prepared under the first EITAP project, has been drafted and will be finalized to feed into the policy work to be carried out under this project.

G. World Bank Grievance Redress

106. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Sierra Leone

Extractive Industries Technical Assistance Project Phase 2

Project Development Objectives

The proposed project development objective is to strengthen governance, knowledge, and sustainability of the extractives sector in Sierra Leone.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Enhance overall governance of the extractives sector - Implement the Policy Actions Matrix of the Minerals Policy		Percentage	0.00	30.00	Annual	MMMR	MMMR
<i>Description:</i> Implement the Policy Actions Matrix for the Minerals Policy cumulative implementation of 30% of the Actions by the target date. Target Date: December 2022							
Name: Enhance geological knowledge - Complete a nationwide airborne geophysical survey.		Percentage	5.00	100.00	Annual	NMA	NMA



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Complete nationwide airborne geophysical survey. Target Date:100 percent by December 2022							

Name: Increase formalization of artisanal miners - Issue new mining licenses		Number	1030.00	1133.00	Annual	NMA	NMA
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Description: Cumulative number of artisanal mining licenses issued increase by 10% by the target date. Target Date: December 2022

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Enhance overall governance of the extractives sector - Strengthen MMMR in policy making (number of people attending policy training per year).		Number	0.00	15.00	Annual	MMMR	PIU

Description: Improve capacity of MMMR in policy making (number of people attending training per year). Target Date: December 2022

Name: Enhance overall governance of the extractives sector - Revise		Yes/No	N	Y	Annual	NMA	NMA's mining cadastre unit
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Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
licensing procedures							
Description: Revised licensing procedures and updated systems in place. Target Date: August 2021							
Name: Enhance overall governance of the extractives sector - Revise Mines and Minerals Act		Yes/No	N	Y	Annual	MMMR	MMMR
Description: Complete revision of Mines and Minerals Act. Target Date: December 2022							
Name: Enhance geological knowledge - Complete new and/or revised maps at 1:100,000 scale		Number	0.00	15.00	Annual	Geological Survey of Sierra Leone	NMA
Description: Complete 15 maps at 1:100,000 scale. Target Date: December 2022							
Name: Attract private sector investment - Issue exploration licenses		Number	146.00	175.00	Annual	NMA mining cadastre	NMA
Description: Increase by 20 percent the number of exploration licenses issued by end of project. Target Date: December 2022							
Name: Attract private sector investment - Conduct investment promotion at		Number	0.00	8.00	Annual	MMMR	MMMR



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
international conferences							
Description: Conduct investment promotion at international conferences - two per year. Target Date: December 2022							
Name: Formalize artisanal miners - Establish cooperatives		Number	0.00	5.00	Annual	NMA	NMA
Description: Establishment of five cooperatives, with at least 20% female membership. Target Date: December 2022							
Name: Complete baseline study of artisanal mining		Yes/No	N	Y	Annual	PIU	PIU
Description: Completion of baseline study of artisanal mining in Sierra Leone. Target Date: December 2019							
Name: Revise legislation on artisanal mining		Yes/No	N	Y	Annual	MMMR	MMMR
Description: Revise legislation on artisanal mining. Target Date: December 2022							
Name: Implement the Green Gold Pilot - Gold miners trained on cleaner technologies		Percentage	0.00	20.00	Annual	NMA	NMA



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Number of gold miners trained on cleaner technologies, of which female (target half). Target Date: December 2022							
Name: Implement the Green Gold Pilot - Complete study on green gold value chain		Yes/No	N	Y	Annual	PIU	PIU
Description: Complete study on Green Gold Value Chain in Sierra Leone. Target Date: December 2018							
Name: Implement the Green Gold Pilot - Develop and implement the Green Gold branding campaign		Number	0.00	1.00	Annual	PIU	PIU
Description: Development and implementation of the Green Gold branding campaign - number of fair-trade conferences attended per year - one per year in years 3, 4 and 5. Target Date: December 2022							
Name: Citizen engagement - Components A and C - Nationwide consultations on new policies		Yes/No	N	Y	Annual	PIU	PIU
Description: Nationwide consultations with the objective of feeding into the final content of the new Minerals Policy and Artisanal Mining Policy Target Date: December 2022							
Name: Citizen engagement - Component B - Sensitization ahead of fly-overs		Yes/No	N	Y	Annual	PIU	PIU



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Sensitization of communities before airborne geophysical survey conducted. Target Date: December 2020							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Enhance overall governance of the extractives sector - Implement the Policy Actions Matrix of the Minerals Policy	0.00	0.00	5.00	15.00	30.00	30.00
Enhance geological knowledge - Complete a nationwide airborne geophysical survey.	5.00	20.00	40.00	60.00	100.00	100.00
Increase formalization of artisanal miners - Issue new mining licenses	1030.00	40.00	60.00	80.00	103.00	1133.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Enhance overall governance of the extractives sector - Strengthen MMR in policy making (number of people attending policy training per year).	0.00	4.00	3.00	4.00	4.00	15.00
Enhance overall governance of the extractives sector - Revise licensing procedures	N	N	N	Y		Y
Enhance overall governance of the extractives sector - Revise Mines and Minerals Act	N	N	N	N	Y	Y



Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Enhance geological knowledge - Complete new and/or revised maps at 1:100,000 scale	0.00	0.00	0.00	5.00	15.00	15.00
Attract private sector investment - Issue exploration licenses	146.00	5.00	10.00	15.00	29.00	175.00
Attract private sector investment - Conduct investment promotion at international conferences	0.00	2.00	2.00	2.00	2.00	8.00
Formalize artisanal miners - Establish cooperatives	0.00					5.00
Complete baseline study of artisanal mining	N					Y
Revise legislation on artisanal mining	N	N	N	N	Y	Y
Implement the Green Gold Pilot - Gold miners trained on cleaner technologies	0.00	0.00	5.00	10.00	20.00	20.00
Implement the Green Gold Pilot - Complete study on green gold value chain	N	Y				Y
Implement the Green Gold Pilot - Develop and implement the Green Gold branding campaign	0.00				1.00	1.00
Citizen engagement - Components A and C - Nationwide consultations on new policies	N	Y	Y	N	N	Y
Citizen engagement - Component B - Sensitization ahead of fly-overs	N	Y	Y			Y





ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY : Sierra Leone Extractive Industries Technical Assistance Project 2

Overview of the Project and Project Components

1. The project design includes activities to be implemented under three main technical components, in addition to a project implementation component.

Component A—IMPROVE MINERALS SECTOR GOVERNANCE (US\$2.99 million)

2. A1. Enhancing overall extractives sector governance. In moving toward the elimination of Sierra Leone’s natural resource paradox—a resource-rich country amid high levels of poverty—this sub-component aims to improve and strengthen overall sector governance through the following activities: (i) Strengthen capacity of Government institutions to more efficiently and effectively implement their mandates; (ii) Support the improvement of provincial, district, chiefdom and local-level participation in mineral sector developments through the establishment of “Local Oversight Committees” (LOCs) in mining communities to monitor use of local funds relative to mining to promote local development; (iii) Clarify and strengthen the role of the Minerals Advisory Board (MAB); (iv) Support transparent revenue management through the development of “Mineral Revenue Management Program” and Quarterly meeting of mine operators (by category) with MMMR, NRA and MOFED to review revenue rules, issues and provide policy frameworks for Mineral Revenue Management and appropriate Fiscal Regimes; (v) Provide support for the implementation of selected activities in the Extractive Industries Transparency Initiative (EITI) Work Plan with an emphasis on capacity building and training for the EITI National Secretariat and multi-stakeholder working group to meet the EITI Standard, especially in relation to the requirements on beneficial ownership and mainstreaming. The subcomponent will also support a successful implementation of Sierra Leone’s Minerals Policy and Artisanal Mining Policy. The recently prepared Minerals Policy (MP) and Artisanal Mining Policy are expected to go to Cabinet for approval in early 2018. Successful implementation of these policies is essential to establish the role expected of the sector as a driver of economic growth, considering citizens’ expectations, to capture the imperatives of sub-regional collaboration, outline inclusive, transparent, and streamlined governance measures, promote the shared use of infrastructure with appropriate linkages within and outside of Sierra Leone. In support of these objectives, this subcomponent will (i) Further support the consultation, publication and dissemination of the policies including support to the already-established inter-agency Minerals Policy Working Group led by MMMR; (ii) Assist with the implementation of the Minerals Policy Action Matrix once approved by Cabinet; (iii) Establish and structure a Policy Directorate within MMMR to ensure stronger policy formulation and implementation as recommended by the Management and Functional Review; and (iv) Support the update and operationalizing of the AM Policy as a sub-policy document of the Minerals Policy.

3. A2. Remove key constraints to extractives sector development. An effective, transparent and consistent legislative framework is essential for a functioning extractives sector which would also attract the “right” investor type to Sierra Leone. To support this objective, this subcomponent will undertake the following core activities: (i) Harmonize legislative regimes applicable to the minerals sector through a comprehensive review of policies and legal and regulatory provisions to avoid overlaps; (ii) Revision of



licensing procedures and systems; (iii) Review and amend the current Mines and Minerals Act and regulations to reflect new policy guidance; (iv) Amend specific legislation to ensure that minerals legislation related to granting mineral rights is applied consistently and guarantees security of tenure; (v) Review and amend health and safety laws and regulations; and (vi) Guide the preparation of “Mining and Environment” regulations to guide investor, community and government actions.

Component B—ENHANCE GEOLOGICAL KNOWLEDGE (US\$11.52 million)

4. There is a consensus that lack of knowledge about mineral resources potential hinders the development of a country’s resources and prevents the country from getting the best value out of its resource endowment. Better knowledge of geological potential would contribute to reduce the asymmetry of information that often leaves governments at a disadvantage when negotiating concessions with mining companies that typically have superior geological mapping datasets. In this context, this component entails completing the coverage of geological maps and acquisition of airborne geophysical data as well as facilitating access to the information through an improved Geo-data Information Management System (GIMS); the expected outcome of this component is to provide basic and reliable geological information necessary to facilitate the promotion of private investments in the mining sector, identify areas that may be reserved, and support the planning of the socio-economic development of the country. As a prerequisite of the airborne geophysical survey, a Data Management Policy will be prepared and approved to ensure that the data collected is properly stored and safeguarded.

The activities under this component will therefore include:

5. **B1. Airborne Geophysical Survey.** A geological survey map of Sierra Leone does not exist. A well-functioning minerals sector relies on the availability of geodata. As exploration continues to focus on deeper, more complex bodies, the need to conduct a regional nationwide airborne geophysical survey for Sierra Leone cannot be over emphasized as it would assist in mapping out large areas quickly and detecting geological targets favorable for mineralization, i.e. to directly detect or target the mineralized environment or associated rocks, fault zones, water bodies, and under cover sequences. The geology and mineral potential of the country cannot be properly understood without sub-surface investigative techniques including aeromagnetic surveys. Aeromagnetic maps allow visualization of the geological structure of the upper crust in the sub-surface, particularly the spatial geometry of lithological units and the presence of folds and faults which are useful in the search for structurally controlled mineralization such as gold, base metals and hydrocarbons. The process is also good to measure responses originating from mapping surveys to provide essential geological framework and, in areas of poor outcrop, that may comprise the useful form of geological exploration. Target may be intended to detect or to define the geological or geophysical features of potential significance. Hence, the airborne geophysical campaign will cover the entire country with density of data sufficient to support the new geological map of Sierra Leone. The subcomponent will: (i) Undertake regional airborne geophysical coverage of the country (aeromagnetic and gamma-spectrometric campaign) covering the entire country at a density to be determined; (ii) Process, interpret and manage generated data; and (iii) Ensure supervision of airborne geophysics campaign for quality control of flights and data.

6. **B2. Geological Mapping and Geodata Integration.** Acquisition of the needed geo-data requires detailed and careful sequential planning including: (i) Develop a clear policy on confidentiality and use of geodata data; (ii) Prepare a systematic inventory of all the available information, including reports for mining and oil and gas companies; (iii) Conduct a preliminary field evaluation in order to select the working



scales, coverage, flight directions and altitudes, sampling density and other technical parameters as elements to be analyzed, analytical techniques, remote sensing sensors, and season of acquisition; (iv) Complement the current geochemistry mapping of the country; (v) Create partnerships and links with academic and technical institutions to enhance the Geological Survey research and development capacity; (vi) Use generated data to prepare and update geological mapping at adequate scale (no less than 1:100.000 and ideally at 1:50.000), covering the entire country; (vii) Improve existing GIMS system to store, manage, process, interpret and to integrate the information mentioned above; and (viii) Supervise geological mapping and geodata consolidation.

Component C—ARTISANAL MINING (US\$3.18 million)

7. There are approximately 300,000 artisanal miners in Sierra Leone, a sector that is mostly unregulated, meaning that at least 50 percent of artisanal mining operations are illicit. The illicit status of the operations and the smuggling of the artisanal production continues to compromise the Government's revenue for the sector. Alluvial diamond mining underpinned earlier local patronage systems and, as recently as 2006, accounted for around 80 percent of Sierra Leonean diamond exports. As commodity price trends vacillate and deposits are depleted, artisanal miners have shifted from alluvial diamonds to higher-value minerals such as gold. The industry is particularly significant because it provides employment for men, women and youth in circumstances where there are few other opportunities to earn cash and support local livelihoods. To address these issues this component aims to facilitate the implementation of improved artisanal mining operational and environmental standards. This component will scale up and build on the successful implementation of the Life after Diamonds (LaD)⁷ project that piloted community-driven capacity building, empowerment, and participatory decision-making in artisanal mining communities, aiming at enhancing social accountability, promoting closer cooperation on environmental and social challenges, increasing participation, and enhancing sustainable livelihoods of women and other vulnerable groups. As artisanal gold mining is relatively new to Sierra Leone there is a unique opportunity to formalize the sector and incentivize cleaner gold production through a "green gold" branding campaign.

Activities under this component include:

8. C1. Strengthening Governance in Artisanal Mining. This subcomponent aims to: (i) Support, strengthen and build on existing governance reforms (including improving NMA's capacity at all levels for supervising and monitoring the artisanal mining sector); (ii) Strengthen definition of "Artisanal Mining" and include the definition in legal reforms; (iii) Develop an integrated artisanal mining licensing system to eliminate discretionary payments; (iv) Improve community engagement including grievance redress mechanisms; (v) Improve and enhance transparency in this sector (integration of the Artisanal Mining Policy as part of the general cadastral regime); (vi) Strengthen communications amongst Government, artisanal operators and communities to identify beneficial business structures that may include umbrella structures, mineral buying and others; (vii) Support revenue collection and management at the local level; and (viii) Support implementation of the new Artisanal Mining Policy to be approved by Cabinet by early 2018.

9. C2. Strengthening Health and Safety and Environmental Management. To improve the current hazardous conditions facing artisanal miners, this subcomponent will provide support to GoSL and local

⁷ Life after Diamonds (LaD) was funded by a grant from the Japanese Social Development Fund (JSDF), which closed in August 2016, and provided valuable experience in implementing community-based economic activities in artisanal mining communities.



government in the following key activities: (i) Support health and safety guidelines for artisanal mining; (ii) Assess and support Environmental Governance; (iii) Review the Environmental Protection Agency (EPA) and National Mining Agency (NMA) to improve organizational efficiency and relevance through the establishment of key performance indicators; (iv) Support education and training to artisanal miners about the health hazards of thousands of abandoned mining pits; and (v) Build capacity of artisanal miners on health and safety issues and train artisanal miners in improved mining methodologies for environmentally responsible mining techniques.

10. C3. Green Gold Pilot. The objective of this subcomponent is to support a green gold pilot project with potential to enhance economic opportunities while supporting gender inclusiveness. This will include the following set of activities: (i) Conduct study of gold value chain to confirm the viability of the project and identify the value chain flow and ultimately, the end market; (ii) Train miners on established procedures in line with “Fair Mining” enabling the gold to be characterized as “green” with mining conducted in an environmentally friendly way; (iii) Develop a branding strategy to create an effective market differentiator allowing for a higher market value; and (iv) Undertake marketing and promotion as an important step in the value chain to establish brand awareness for Sierra Leone and drive demand. This pilot opens an important avenue for increasing community prosperity and enhancing livelihoods.

Component D—PROJECT MANAGEMENT (US\$1.96 million)

11. Building on the lessons learned and capacity acquired during EITAP1, this component aims to support the Government of Sierra Leone to manage and coordinate the project and build its procurement, financial management, safeguards management, monitoring and evaluation capacity through the provision of technical advisory services, training, acquisition of goods, and operating costs. The project also envisages an external support action to enhance and professionalize project management (certifications PMP, project server etc.), in addition to the traditional project administration and coordination roles.

Component E—CONTINGENCY FOR DISASTER RISK RESPONSE

12. This provision is being included to provide support to respond to an Eligible Emergency including: (a) designing and carrying out the relevant sector investments; and (b) providing supervision for carrying out said investments. There is currently no amount allocated as this component is to be utilized only in the case of an emergency.



Table 1.1: EITAP2 Proposed Activities and Estimated Costs

	Description of Activity		PPA Amount (US\$)	EITAP2 Total Amount (US\$)	EITAP2 Balance Available (US\$)	Responsible MDA
<u>Component A: Improve Minerals Sector Governance</u>						
A1	<i>Implementation of the Minerals Policy and Artisanal Mining Policy</i>					
a	Establishment of the Minerals Policy Directorate within MMMR	Consultancy	(100,000)	300,000	170,000	HRMO, PSC, PSRU, MMMR, PIU
b	MPD Furniture/Equipment	Procurement	(30,000)			
c	Support to the Policy Directorate for inter-MDA and Multi-Stakeholder collaboration and coordination			100,000	100,000	MMMR, PIU
e	Capacity Building & Training-MMMR			200,000	200,000	MMMR, PIU
f	Capacity Building & Training-NMA			200,000	200,000	MMMR, PIU, NMA
g	Study Tour & Investment Promotion			300,000	300,000	MMMR, PIU, NMA
h	Workshops on CMP and AMP		(146,000)	146,000	0	
i	Local content and linkages: Assessment of local business opportunities to improve side-stream linkages to mining			150,000	150,000	
A2	<i>Strengthening governance</i>					
a	Support for selected activities under EITI work plan: beneficial ownership and mainstreaming		(150,000)	150,000	0	
b	Capacity Building & Training-NRA			250,000	250,000	MMMR, PIU, NRA
A3	<i>Strengthening Legal and Regulatory Frameworks</i>					
a	Review/harmonization of relevant legislation and regulations	Consultancy		500,000	500,000	MMMR, NMA, PIU
b	Capacity Building & Training-EPA		(80,000)	150,000	70,000	MMMR, EPA, PIU
A4	<i>Building Requisite Institutional Capacity Petroleum Directorate</i>					
a	Replacement of Eight (8) technical workstations PCs	Lumpsum		40,000	40,000	MMMR, PD, PIU
b	Renewal of 4 current Kingdom Software Licenses	Lumpsum	(91,000)	301,000	210,000	
c	GIS Software purchase of 4 licenses		(20,000)	20,000	0	
d	GIS Software maintenance of 4 licenses	4 years @ \$7000 per year		28,000	28,000	
e	Capacity Building & Training-PD			150,000	150,000	MMMR, EPA, PIU
Sub Total Component A			(617,000)	2,985,000	2,368,000	
<u>Component B: Enhance Geological Knowledge</u>						
B1	<i>Nationwide Airborne Geophysical Survey (aeromagnetic and gamma-spectrometric campaign)</i>					
a	Nationwide Airborne Geophysical Survey	Geophysicist for	(120,000)	8,000,000	7,880,000	MMMR, NMA, PIU



		preparation of survey				
b	Supervision of airborne geophysical survey			800,000	800,000	
c	Survey Consultations			65,000	65,000	MMMR, NMA, PIU
d	Development of a Data Management Policy		(35,000)	35,000	0	
e	Equipment for Geodata Processing		(120,000)	120,000	0	
B2	Nationwide Geological and Geochemical Mapping Campaign			1,000,000	1,000,000	MMMR, NMA, PIU
B3	Block System Implementation in line with the MMA 2009			250,000	250,000	
a	Purchase of a differential GPS			43,000	43,000	MMMR, NMA, PIU
B4	Improvement to the existing GIMS system:					
a	GIMS Maintenance by GAF for next one year through the upgrade transition			25,000	25,000	MMMR, NMA, PIU
b	Hardware/Software for GIMS upgrade			200,000	200,000	MMMR, NMA, PIU
c	Development of the new Integrated Geological Information Management System			250,000	250,000	MMMR, NMA, PIU
B5	Creation of partnerships and links with academic and technical institutions to enhance the research and development capacity			300,000	300,000	MMMR, NMA, PIU, USL
a	Donation of monitors and CPUs to University of Sierra Leone Geology Department (purchase CPUs to donate with monitors)			15,000	15,000	NMA
B6	Additional Equipment for Geological Surveys Laboratory (Transformer)		(60,000)	400,000	340,000	MMMR, NMA, PIU
a	Consumables		(20,000)	20,000	0	
Sub Total Component B			(355,000)	11,523,000	11,168,000	
Component C: Artisanal Mining						
C1	Strengthening Governance in Artisanal Mining					
a	Community Livelihoods Baseline Study		(100,000)	100,000	0	
b	Baseline Study on Artisanal Mining			900,000	900,000	MMMR, PIU, NMA
c	review, Upscaling and Replication of LAD Project Model		(90,000)	90,000	0	MMMR, PIU, NMA
d	Capacity building of Regional NMA Offices			250,000	250,000	MMMR, PIU, NMA
C2	Strengthening Health and Safety and Environmental Management			90,000	90,000	MMMR, PIU
C3	Pilot "Green Gold" activities and increase women's economic opportunities in the gold value-chain (women cooperatives)			1,750,000	1,750,000	MMMR, NMA, PIU
Sub Total Component C			(190,000)	3,180,000	2,990,000	
Component D: Project Implementation Costs						
1	Operational and staffing cost for PIU		(281,000)	1,403,145	1,122,145	MMMR, PIU
2	Project related Operational and staffing cost for MMMR		(30,000)	147,500	117,500	MMMR, PIU
3	Training/Capacity building PIU		(140,000)	200,000	60,000	MMMR, PIU



4	Project launch workshop		(50,000)	50,000	0	MMMR, PIU
5	Accounting Software for the PIU		(40,000)	40,000	0	
6	Safeguards Specialist based in PIU			120,000	120,000	
Sub Total Component D			(541,000)	1,960,645	1,419,645	
<i>Component E: Contingency for Disaster Risk Response</i>						
Sub Total Component E			0	0	0	
CONTINGENCY			(97,871)	351,355	253,484	MMR, PIU, NMA, EPA, NRA, PD
GRAND TOTAL			(1,800,871)	20,000,000	18,199,129	



ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY : Sierra Leone Extractive Industries Technical Assistance Project 2

Project Institutional and Implementation Arrangements

A. Institutional and Implementation Arrangements

1. The MMMR will be the implementing agency for the project and will provide policy guidance, planning, coordination, technical assistance and capacity building through the MMMR Project Implementation Unit (PIU) including consultants to implementing institutions and beneficiaries. The PIU will coordinate the project implementation, including the following institutions and departments:

- Ministry of Mines and Mineral Resources
- DFID, GIZ
- EITAP Project Implementation Unit
- National Minerals Agency
- Ministry of Finance and Economic Development
- National Revenue Authority
- Environment Protection Agency
- Ministry of Lands & Country Planning and Environment
- Local Authorities
- Mining Companies
- Private Sector Consultants and Suppliers
- Petroleum Directorate
- Strategic Policy Unit

However, the PIU retains primary responsibility for procurement and disbursement. All requests to the World Bank under the project will go through the office of the Project Coordinator.

2. The project will be implemented over a period of five years. The MMMR will be responsible for the overall project coordination and management. The MMMR has set up a Project Implementation Unit which is supervised by the Permanent Secretary of MMMR. The PIU has been operational since September 2012 and has built capacity and experience in project management, procurement and financial management. The PIU is comprised of a Project Coordinator, a Procurement Specialist and a Financial Management Specialist supported by a Procurement Assistant. The PIU has successfully implemented the first phase of the EITAP project to completion which closed in December 2016. The MMMR will continue to provide the physical office space and supporting institutional frameworks for effective management of the PIU. The PIU will carry out the day-to-day project management including procurement, disbursement, financial management, and monitoring and evaluation for the project. The PIU would assist the MMMR in ensuring that the project activities are carried out in accordance with agreed project objectives and performance targets. When the Policy Directorate becomes operational, it will become a beneficiary under the technical assistance program for MMMR and will implement the mandate of MMMR as a policy formulator, while project management and coordination will remain to be handled by the MMMR's PIU.



3. **Composition of the PIU.** The core PIU includes a Project Coordinator, Procurement Specialist, and Financial Management Specialist (pending operationalization of the Project Fiduciary Management Unit PFMU). These three positions have been filled with competent consultants with the requisite qualifications and experience to undertake the tasks of project management, procurement management and financial management respectively.

4. **Project Operational Manual.** A draft of the Project Operational Manual (POM) has been prepared by the PIU in accordance with good practices as set out in the EITAP project and includes detailed description of the logistics regarding project implementation (i) coordination between stakeholders and other donor-funded projects in the sector; (ii) appropriate level of delegation of authority to the PIU; (iii) document flows; (iv) procurement procedures; (v) financial management procedures and reporting; (vi) disbursement procedures; (vii) format and procedures for processing of Annual Work Plans and Budgets, and (viii) environmental and social management guidelines. The POM will be submitted to the World Bank's prior review and its approval is an effectiveness condition. Further revisions and updates during project implementation will be undertaken on as needed basis and will be subject to the World Bank's prior review and approval.

5. **Annual Work Plans and Budgets.** The Government, prior to negotiations, has prepared the annual work plan and budget for the first year of project implementation. The plan includes an updated procurement plan, training plan for the forthcoming year, activities to be implemented under the project during the year with a timeline, estimated operating budget, and other costs to be incurred during the year. The format for the Annual Work Plan has been developed and forms a part of the POM. The plans will be due by December 1 of each calendar year for the period covering January 1–December 31 of the following year during the project implementation. The Plans will be prepared by the PIU and will be approved by the MMMR before submission for approval by the World Bank. Changes to finalized Annual Plans and Budgets will require prior approval by the World Bank.

B. Results Monitoring and Evaluation

6. M&E is a key activity in the project and will be carried out by the PIU at the MMMR based on the indicators and milestones developed in the Results Framework (Annex 1). A robust M&E system will be developed early on in project implementation to monitor progress and ensure impact. Where applicable, M&E will include gender-disaggregated data. Strengthening client capacity for M&E for the sector will be an integral part of the project to enable the relevant institutions to keep track of environmental safeguards implementation and compliance.

7. The PIU will have overall responsibility for monitoring and evaluating the project subcomponents/activities in accordance with the indicators and benchmarks included in the Results Framework. The other beneficiary agencies will be responsible for collecting, analyzing and supplying the indicator data relevant to the project components/activities under their implementation to the PIU. The mechanism of feeding the indicator data into a centrally managed system in the MMMR is reflected in the POM.

8. No later than 45 days after each quarter, the MMMR will submit to the World Bank the consolidated quarterly progress reports covering all project activities, including a procurement and a



financial summary report. Biannual reviews, the first one to take place six months after effectiveness, should provide detailed analysis of implementation progress toward achieving the project development objectives and include evaluation of the financial management and a post review of procurement aspects.

C. Sustainability

9. The Government of Sierra Leone (GoSL) is committed to the implementation of the project. The authorities and stakeholders realize that the mining sector constitutes the key growth opportunity and lever for the development of other economic and socially productive activities.

10. Key parameters for sustainability include the Government's commitment to implementing the sector reform agenda, as illustrated in their successful implementation of EITAP1. Mining is a priority sector to bring about development and improvement of socioeconomic conditions in Sierra Leone while also increasing its attractiveness to investors. In the long run, investments in the sector are expected to provide sustained revenues for wider development purposes as well as for sustaining sector oversight and management systems set up during the project.

11. At the national level, the project will help improve the GoSL's capacity to (a) manage the sector properly; (b) ensure that the revenues due to the Government from mining, including artisanal mining, are collected; and (c) support local economic development and value addition for mining. The project is also expected to strengthen Sierra Leone's policy/regulatory framework and enhance its institutional and human resources capacity to address the economic, environmental and social impacts of mining as well as stimulate private sector participation.

12. At the community level, sustainability will be supported by positive changes fostered by including mining communities in essential decision-making processes. Specifically, the communities are expected to see increased influence over local economic development, use of revenue generated by mining activities to foster development at the local level, and improved socioeconomic linkages to the mines. By supporting artisanal miners to improve their formalization, the project is expected to improve management of mineral resources toward contributing to increased mineral revenues and the promotion of sustainable livelihoods.

Financial Management

Summary of the Financial Management Assessment

13. A financial management assessment of the Project Fiduciary Management Unit (PFMU) of the Ministry of Finance and Economic Development (MoFED) was conducted in accordance with OP10.00 as complemented with the FM guidelines outlined in the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010.

14. The objective of the assessment was to determine whether: (i) PFMU has adequate financial management arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (ii) the project's financial reports will be prepared in an accurate, reliable and timely manner; (iii) the entities' assets will be safeguarded; and (iv) the arrangements are subject to acceptable audit arrangements by IDA.



15. The overall FM risk for the project is assessed as High, but with the expected risk mitigation measures when adequately implemented, the residual FM risk is rated as Substantial.
16. Country Issues: According to the 2014 Public Expenditure and Financial Accountability (PEFA) which included an analysis of Sierra Leone’s Public Financial Management (PFM) strengths and weaknesses, the Government has taken considerable actions to improve its public financial management since 2010.
17. The adoption of a number of new laws has had a positive impact on the regulatory framework for Public Finance Management (PFM). The new PFM Law that has replaced the Government Budgeting and Accountability Act (GBAA) 2005, and the Public Debt Law passed in 2011 are two important legislations contributing to the enhanced legislative framework. The establishment of the Procurement Directorate and the Public Investment Planning Unit of Ministry of Finance and Economic Development (MoFED); and capacity increases and improvements in the number and quality of staff within the Ministry of Finance, the Accountant-General’s Department and the Office of the Auditor-General are positive developments in the PFM environment.
18. A weakening of budget credibility and predictability for both expenditures and revenues (underestimated); minor gains in comprehensiveness not impacting on fiscal management challenges; weaknesses in expenditure control (including payroll); and low levels of transparency are weaknesses to be addressed as the Government considers moving the system to a level that is capable of directing resources to priority areas and supporting high quality expenditure outcomes.
19. PFM reform in Sierra Leone is directed at all the dimensions of the PFM system. The PFM Reforms Strategy 2014-2017 seeks to develop the basis for the Government of Sierra Leone to accelerate PFM reforms and establish an efficient, effective and transparent PFM system that minimizes opportunities for corruption.
20. The Strategy is being pursued under the following four themes:
- Budget Planning Comprehensiveness, and Credibility; its primary aims are to establish a credible and stable budget process, particularly to establish a transformational and development fund (TDF), public investment program (PIP) and link investment to recurrent operations and maintenance spending through the MTEF process.
 - Financial Control and Accountability, Service Delivery and Oversight; the most critical objective of which is to complete the roll-out of IFMIS to major spending MDAs and bring all CG public accounts—including sub-vented accounts and DP project accounts—on to IFMIS.
 - Revenue Mobilization; whose two objectives are (1) to establish more effective tax and control regimes for extractive industries through the Extractive Industries Revenue Act and the Oil Exploration Act and (2) improving the system for recording and reconciling payment and receipts.
 - Strengthening Local Governance Financial Management through Local Councils for Effective Decentralization; A critical objective is the consolidation of the implementation of the PETRA Accounting Package in all local councils including the real-time processing of transactions by selected councils.



Project Risk Assessment and Mitigation

Table 2.3: Risk Rating Summary Table

Risk	Risk rating	Risk mitigating measures	Conditions of Negotiations, Board or Effectiveness (Yes or No)	Residual Risk rating
INHERENT RISKS				
1 Country Level Weaknesses in legislative scrutiny, low human capacity, declining revenues and energy challenges affecting timely and adequate intergovernmental fiscal transfers.	H	Efforts are being made to help GoSL substantially resolve and enhance revenue management framework in the medium term. The Public Financial Management Improvement and Consolidation Project seeks to address the human capacity issues including FM capacity and improve process aspects.	No	H
2 Entity Level The political arm of the Entity and/or Management may unduly interfere with, and/or override, project financial management controls.	H	An independent project financial management unit with officers paid by the project will manage the fiduciary aspects of the project to ensure independence. An independent external audit will be carried out annually under the project. The design of the project will include an enhanced accountability framework to ensure control of soft expenditures from possible abuse. Initially, regular FM reviews will be conducted by the Bank team to provide support.	No	S
3 Project Level Weak FM capacity could result in slow execution of the project and delayed reporting could impact on progress.	H	PFMU will be manned by qualified personnel that will handle the day to day management for the Government of Sierra Leone. The performance of the staff hired in the Unit will be reviewed annually to act as a basis for renewal of their individual contracts.	No	S
CONTROL RISKS				
4 Budgeting Budget and annual work plan preparations may be delayed and may not be comprehensive. Risk of cost overruns and adverse variations	M	A project budget has been prepared The AWP would be submitted annually before implementation starts for review by the World Bank team which	No	L



	in expenditure could arise due to potential slow implementation and padding of the related unit costs of goods and services entailed in the implementation.		would ensure it is realistic and unit cost estimates are reasonable based on industry and global experiences gathered in some jurisdictions that have undertaken similar operations and cross check the same with the local market. Also, budget execution reporting through quarterly IFRs will be routinely monitored by IDA with variations in unit costs tracked to ensure major deviations are followed up and investigated. The Budget Office will also monitor budgeted activities to ensure effective use of budgets		
5	Accounting Government Accounting System not yet installed at the Unit. Use of manual accounting system not generating reliable, accurate and timely accounting information for project appropriate decision making acceptable to the Bank.	H	PFMU will use a customised accounting system. The Financial Procedures Manual is being revised to take into account specific project needs. The World Bank’s team will provide support to relevant project staff of the PFMU	No	S
6	Internal Control Project funds not being used for intended purposes because of inadequate internal control by management and lack of control measures pertaining to soft expenditures and usage of executive override. This may give rise to non-compliance with internal control procedures.	S	Adequate Internal Control (IC) over the disbursement and accountability of funds for eligible expenditures will be further strengthened by the adoption of an enhanced accountability framework for the project and internal audit oversight of the project at PFMU will be instituted. The internal auditors will be required to generate periodic internal audit reports which should be shared with relevant stakeholders including the World Bank. The internal controls will also be documented in the FM manual for the project. Internal and external auditors would be expected to clearly identify and report any cases of breach of internal control procedures by the project management.	No	M
7	Fund Flow Possible delays in processing	S	The PFMU will be responsible for preparing and submitting	No	M



	<p>withdrawal applications leading to problems in honoring payments to third parties. Submission of Withdrawal Applications delayed.</p>		<p>withdrawal applications, and acceptable service standards for settlement of bills will be established. IDA funds will be disbursed through the USD-denominated Designated Account to be opened by the PFMU Simplified flow of funds arrangements will be included in the POM</p>		
8	<p>Financial Reporting Delays in the preparation and submission of un-audited interim financial reports (IFRs) and/or unreliable IFRs submitted.</p>	M	<p>IFRs shall be submitted to the World Bank within 45 days after end of each calendar quarter. The content of the IFR will include Sources and Uses of Funds, Uses of Funds by Category, bank accounts reconciliation and a schedule of amounts drawn from the Credit.</p>	No	L
9	<p>Auditing Delays in the submission of audit reports and the timeliness of management follow up on audit issues.</p>	S	<p>The audit terms of reference (TOR) will be agreed and a qualified and acceptable auditor appointed with relevant input of Audit Service Sierra-Leone. Continuous satisfactory performance of auditors will be basis for continuous engagement. The audit would be done in accordance with International Standards on Auditing and, International Public Sector Accounting Standards. The audited financial statement is expected to be submitted to the World Bank not later than 6 months after the end of each fiscal year. The TOR for the external auditors has to be cleared by the World Bank. The World Bank will liaise closely with the implementing agency to ensure that management takes corrective actions on identified weaknesses.</p>	No	M
OVERALL RISK RATING		H			S

H — High, S — Substantial, M — Moderate and L — Low



21. A summary of the key findings of the financial management assessment as well as the FM arrangements under the project as conducted is presented as hereunder.
22. **Planning and Budgeting.** The respective entities' Annual Work Plans and Budgets (AWPB) will be prepared and approved based on the policy guidelines and strategy planning as laid-out in the POM to be developed, and consistent with the provisions of the Government Budgeting and Accountability Act 2005. This budget will be activity based and in line with the cost tables of the project. The AWPB is expected to be prepared in a participatory way and will be approved before each new financial year begins. The financial part will be monitored during Project implementation using unaudited interim financial reports. PFMU will ensure timely preparation, review, consolidation, and approval of the annual work program.
23. **Accounting Policies, System and Procedures.** The PFMU will set up and maintain books of accounts specifically for this project. Books of accounts will include a main cash book, and ledgers, fixed asset registers, and contracts register. The PFMU will use a customized FM system (TOM2PRO) and will ensure that codes for the transactions are adequately reflected in its books.
24. The accounting systems will contain: (a) a chart of accounts and a coding system capable of capturing transactions classified by project components and IDA disbursement categories; (b) use of the cash or modified cash method of accounting; (c) a double entry accounting system; and (d) the production of annual financial statements and quarterly IFRs in a format acceptable to IDA.
25. An accounting policies and procedures manual will be prepared to include the project financial transactions procedures for the implementing agency. The Manual will contain the necessary internal controls including internal checks and segregation of duties.
26. **Internal Audit and Control.** The Internal Audit Unit of MoFED will carry out periodic internal audit reviews of activities carried out in the implementation of the project and share copies of their report with the World Bank.
27. Segregation of duties, and full compliance with the provisions of the POM, especially as pertaining to internal control aspects, will remain a key ingredient in the implementation of the expenditure processing activities at the PFMU and the executing agencies during the life of the project.
28. **Governance and Anti-Corruption.** The World Bank's Anti-Corruption Guidelines (*"Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants"*, dated October 15, 2006 and revised in January, 2011) apply to this operation. Sections of these guidelines, especially those relating conflict of interest, procurement and contract administration monitoring procedures, procedures undertaken for replenishing the Designated Account and use of the Project's asset shall be provided as an annex to the Project's Financial Procedures Manual. Additional mitigation measures will include advocating good governance, close monitoring and spot checks by the internal audit units of the implementing entities, as well as enhanced social responsibility by the GoSL and implementing entities.
29. **Financial Reporting Arrangements.** PFMU will be responsible for the preparation and submission of quarterly Interim Financial Reports for the project, to be submitted within 45 days after the end of the quarter to which they relate. It will also be responsible for the preparation of the annual financial



statements for the fiscal period to which they relate and having them audited. The information in these reports will be clearly linked with the chart of accounts for the project.

30. The following quarterly IFRs and annual Financial Report will be produced:

- a. A statement of sources and uses of funds for the reported quarter and cumulative period from project inception, reconciled to opening and closing bank balances.
- b. A statement of uses of funds (expenditures) by project activity/component, comparing actual expenditures against budget, with explanations for significant variances for both the quarter and cumulative period.

31. The annual financial statements should be prepared in accordance with International Public Sector Accounting Standards (which inter alia include the application of the cash basis of recognition of transactions) and International Standard on Auditing within six months after the end of each fiscal year.

32. The Financing Agreement will require the submission of audited financial statements to the World Bank within six months after the end of each financial year. These Financial Statements will comprise:

- a. A Statement of Sources and Uses of Funds/Cash Receipts and Payments, which recognizes all cash receipts, cash payments, and cash balances controlled by the project entities and separately identifies payments by third parties on behalf of the project entities;
- b. A Statement of Affairs/Balance Sheet as at the end of the financial year, showing all the assets and liabilities of the project;
- c. The Accounting Policies Adopted and Explanatory Notes. The explanatory notes should be presented in a systematic manner with items on the Statement of Cash Receipts and Payments being cross-referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets and a summary of Withdrawal Schedule, listing individual withdrawal applications; and
- d. A Management Assertion that IDA funds have been expended in accordance with the intended purposes as specified in the relevant World Bank legal agreement.

Indicative formats of these statements will be developed in accordance with fiduciary requirements and agreed with the Country Financial Management Specialist.

33. **External Audit.** The Audit Service Sierra Leone (ASSL) is by law responsible for the audit of all government finances and projects. However, in view of the prevailing capacity constraints, it is likely that the ASSL would outsource such service to a private firm of auditors with qualifications and experience acceptable to the IDA.

34. PFMU will be responsible for preparing the project financial statements on which the auditor will issue a single opinion covering project accounts, the usage of statement of expenditures, and the management of designated accounts. In addition, a management letter outlining any internal control weaknesses will also be issued by the external auditor together with the audit report.

35. The project financial statements will be audited annually in accordance with International Standard on Auditing (ISA) by independent auditors acceptable to IDA based on TORs acceptable to IDA as above annotated. The auditors should be appointed prior to the first audits period to allow the auditors able to submit the audit report within the due date. The audited financial statements will be submitted to



IDA within six months after the end of each fiscal year. The cost of the audit will be financed from the project proceeds.

36. **Fraud and Corruption.** Inefficient service delivery due to poor governance practices and weak PFM environment is an inherent issue. Possibility of circumventing the internal control system such as colluding practices, bribes, abuse of administrative positions, misprocurement among other considerations are critical risks that may arise. Other internal control incidences that may expose the project to fraud and corruption include but are not limited to (a) late submission of supporting documents; (b) poor filing and records; (c) lack of work plans and or budget discipline; (d) unauthorized commitment to suppliers; and (e) bypassing budget and expenses vetting procedures. The project shall mitigate these potential fraud and corruption related risks through (i) strengthened project monitoring; (ii) specific aspects on corruption auditing will be included in the TORs for the external audit; (iii) targeted FM Procedures and internal control mechanisms across the project activities shall be detailed in the POM; (iv) strong FM staffing arrangements; (v) periodic FM supervisions; (vi) IFRs reviews and monitoring; and (vii) measures to improve social accountability and transparency shall be integrated into the project design and consistent with the social mobilization thematic area in component one of the project, including ensuring that project reports are available to the public.

37. **Implementation Support Plan.** As the overall FM risk rating of the project is substantial, implementation support of project financial management will be performed at least twice a year. The implementation support of the project will closely monitor the FM aspects, and will include but not be limited to operation of designated accounts, evaluation the quality of budgets, project financial monitoring and management reviews of financial reports, quality of IFRs, relevancy of the FM Manual, internal controls, work and document flow and quality of financial records, and follow up of audit and mission findings. The review will also conduct random reviews of the statements of expenditures, and of the compliance with covenants. Based on implementation support result, the risk will be re-assessed and the frequency of supervision recalibrated.

38. Measures to mitigate the late / non-submission of reports will be addressed in accordance to the principles defined in the negotiated and approved project documents.

39. **Financial Management Action Plan.** The table below shows the financial management action plan for the Project.

Table 2.4: Agreed Action Plan

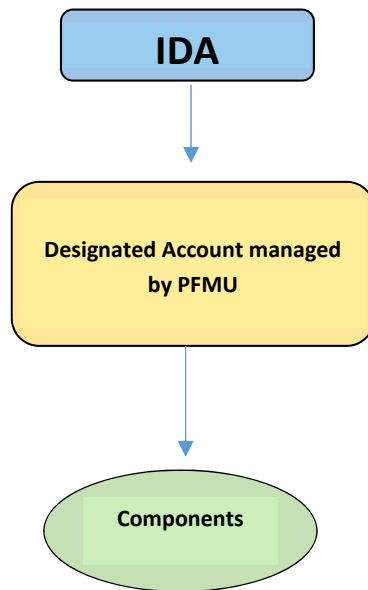
	Action	Date due by	By Whom
i.	Refresher course / training of PIU Finance Team on the Bank FM and disbursement procedures	Not later than four months after project effectiveness	PFMU
ii.	Preparation of the POM incorporating the financial management policies and procedures	Date of Effectiveness	PFMU
iii.	Input of the relevant project codes into the accounting software.	Not later than one month after project effectiveness	PFMU



40. **Conclusion.** The conclusion of the assessment is that the FM systems of the PFMU meet the World Bank’s minimum requirements for the administration of projects funds under OP / BP 10.00. The overall FM residual risk of the project is ‘**substantial**’.

Disbursements

41. **Flow of Funds.** The flow of funds will be as follows:



42. *Designated Accounts (DA).* To facilitate funds flow to the Government of Sierra Leone, a segregated designated accounts (DA) will be opened in USD at a commercial bank acceptable to the World Bank and managed by PFMU. The DA will cater to the implementation requirements for all the components.

43. *Disbursement Arrangements.* The Report-based disbursement method will be used as a basis for the withdrawal of credit and grant proceeds. The project provides for the use of ‘advances, reimbursements, direct payment, and special commitments’ as applicable disbursement methods, and these will be specified in the disbursement letter.



Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services Training and Operating Costs under Parts A, B.2 and B.3, C and D of the Project	4,580,000	100%
(2) Goods, works, non-consulting services, and consulting services Training and Operating Costs under Part B.1 of the Project	8,160,000	100%
(3) Emergency Expenditures under Part E of the Project	0	100%
(4) Refund of Preparation Advance	1,460,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	14,200,000	

44. Supporting documentation will be retained by the implementing agencies for review by the IDA missions and external auditors.

Procurement

PROJECT PROCUREMENT STRATEGY FOR DEVELOPMENT (PPSD)

Strategic Assessment of Operating Context and Borrower Capability



Key Contracts

GOODS

Ref. No.	Contract (Description)		Estimated Cost (US\$)
1	Procurement of Additional Equipment for Geological Surveys Laboratory		340,000
2	Procurement of Equipment for GSD Lab		120,000
3	Construction & Installation of 315KV _a Transformer House for the GSD Lab		60,000
4	Procurement of Hardware/Software for GIMS upgrade/Maintenance		200,000
5	Renewal of 4 current kingdom software licenses, extensions to the current licenses and purchase of 2 additional licenses for the PD		91,000
6	Renewal of 4 current kingdom software licenses		210,000
7	Procurement of 4 licenses of Geographical Information Systems (Arc GIS) software and extensions for the PD		20,000
8	GIS Software Maintenance of 4 Licenses-PD		28,000
9	Replacement of Eight (8) technical workstations PC's		40,000
10	Procurement of Hardware/Software for GIMS upgrade		200,000
11	Development of the new Integrated Information Management System		250,000
12	Block System Implementation in line with the MMA 2009	Purchase of differential GPS	43,000
13	Capacity Building of Regional NMA Offices	Procurement of 20 off Road Motorcycles	140,000
		Procurement of Hand held GPS Equipment	50,000
		Personal Protective Equipment	60,000
14	Purchase of monitors and CPU's to donate to University of Sierra Leone Geology Dept.		15,000
15	Procurement of furniture for the policy Unit		18,000
16	Procurement of IT Equipment for the Policy Unit		12,000
17	Procurement and Installation of Accounting Software		40,000

**CONSULTANCY**

Ref. No.	Description of Assignment	Estimated Cost US\$
1	Hiring of a Minerals Policy Consultant	270,000
2	Hiring of a consultant to conduct needs assessment for the EPA	80,000
3	Hiring of an Independent Administrator for the 2015-2016 EITI Report	150,000
4	Local Content and linkages; Assessment of local business opportunities to improve side-stream linkages to mining	150,000
5	GIMS Maintenance by GAF for next one year through the upgrade transition	25,000
6	Block System Implementation in line with the MMA 2009	Hiring of a Consultant 30,000
7	Development of Data Management Policy	35,000
8	Geophysicist Preparation for airborne geophysical survey	120,000
9	Nationwide Airborne Geophysical Survey (aeromagnetic and gamma-spectrometric campaign)	7,880,000
10	Supervision of Airborne Geophysical Survey	800,000
11	Nationwide Geological and Geochemical Mapping Campaign	1,000,000
12	Review of Mines and Minerals Act 2009	200,000
13	Review of NMA Act 2012	100,000
14	Resettlement Policy/Regulation	100,000
15	Artisanal Mining Regulation	100,000
16	Community Livelihoods Baseline Study	100,000
17	Baseline Study on Artisanal Mining	900,000
18	Review, Upscaling and Replication of LAD Project Model	90,000
19	Pilot "Green Gold" activities and increase women's economic opportunities in the gold value-chain (women cooperatives)	1,750,000

Overview of Country, Borrower and Marketplace**A. Operational Context****Governance aspects**

45. Sierra Leone has recently made considerable progress in Institutional buildings in order to strengthen the principles of good democratic governance. In 2004, the Government enacted the Public Procurement Act which established the National Public Procurement Authority to oversee all



procurement activities in the public sector. The Act was amended in 2016, to reflect international best practices. The Act also established the Public Procurement Complaints Board to investigate complaints of misprocurement and to ensure that procurement rules and regulations are strictly followed. The National Public Procurement Authority has developed a website where bidding opportunities and contracts awards are published. The website is up and running with unhindered access to the public. In 2009 an Anti-Corruption Commission (ACC) was established to investigate corruption practices and to ensure that public funds are utilized judiciously.

Economic aspects

46. Sierra Leone has a population of about 7 million with approximately 39.1 percent living in urban areas and the urbanization rate is projected to reach 43.8 percent in 2030. Sierra Leone failed to achieve most Millennium Development Goals (MDGs) by 2015. Basic infrastructure is lacking throughout the country and living standards remain very low. Sierra Leone ranks 179th out of 188 countries on the UN's 2016 Human Development Index. Poverty remains widespread with more than 50 percent of the population living on less than US\$1.25 a day, and unemployment and illiteracy levels remain high, particularly among youth. It is obvious, that to achieve the Sustainable Development Goals (SDGs) by 2030, the Government must improve the development work across all sectors.

47. From 1991-2002, Sierra Leone suffered a devastating civil war that was fueled in great part by conflicting investment interests in extractive industries, specifically alluvial diamonds. From the end of the conflict to 2014, the country's political and economic landscapes progressively improved, benefiting from improved policies and economic recovery of extractive industries, triggered by booming commodity prices. Many public services were restored, investors returned, and new investors showed interest. Regional transport corridors and infrastructure linkages were also pursued.

48. Sierra Leone's period of steady growth ended in 2015, as the country was severely affected by the twin shocks of the Ebola outbreak and the downturn in international iron ore prices. The economy contracted more than 20 percent due to the spread of the Ebola epidemic and after both iron ore operations ceased production due to low international prices. Iron ore production declined by 84 percent in 2015 and growth of the rest of the economy slowed to near zero, with the services sector being particularly hard-hit. Growth resumed in 2016 following the end of the Ebola outbreak and the return to operation of the largest iron ore mine. The country budget was under extraordinary pressure, and government authorities had difficulty funding routine expenditures in a timely manner. The country currency depreciated and banking sector vulnerabilities also increased. More than a year after these shocks, difficulties persist but the economy showed signs of recovery in 2016. Despite a slight economic recovery, future growth prospects remain uncertain caused by the continued volatility in commodity prices hindering the development of the mineral sector and an extremely constrained fiscal environment.

Sustainability aspects

49. Sustainable growth in the mineral sector is paramount is key among the objectives for EITAP 2. The establishment of the National Minerals Agency (NMA) to regulate mining and ensure transparency and accountability in the mining sector and the proposed establishment of a policy directorate in the Ministry of Mines and Mineral Resources are significant drives for sustainable mining growth in the country. The new entities will have the capacity to carry out research, among other things. Staff will be



trained in various disciplines related to sustainable mining. Once staff of the proposed entities are trained and fully equipped, they will then be involved in research activities that may generate revenues to benefit both the mining industry and the country.

Technological aspects

50. The Ministry of Mines and Mineral Resources operates robust fibre optic internet services. Under EITAP2, all eligible procurement notices will be published automatically in UNDB Online and Bank Website.

PESTLE analysis

Political	<p>Government is democratic, stable for every 5 years but the project may be affected by time constraints due to upcoming elections (March 2018);</p> <p>There is a rule of law on the whole territory of the country;</p> <p>There are no state-owned enterprises involved in open market;</p> <p>Level of corruption is very low, there should be no issues caused by fraud also;</p>	<p>Government is favourable towards foreign bidders in terms of bringing know-hows to the Country, at the same time it is supportive of using local contractors for simple contracts;</p>
Economic	<p>Interest rates are quite high, 23% on average, but are very stable so it does not have any active effect on the market; however, borrowing money and getting bank guarantees are very costly and this discourages contractors where very long bid validity is requested or high value liquid assets in form of a credit line;</p> <p>The trends in terms of interest rates are that they are decreasing, slowly but steadily;</p> <p>There is a dearth of skilled workforce available who can be hired by foreign contractors for wages. These wages are usually little bit higher than on local market;</p>	<p>Prices of commodities are not very stable; therefore, contractors like to have price adjustment factors integrated in the Contract to cover their risks;</p> <p>There is a currency restriction in place – Borrower is not allowed to pay local contractors any sums other than in local currency. This creates issues if local contractor wins ICB and indicates FC as a means of payment. No mechanism has been put in place to address this issue</p>



Social	<p>There are no particular social issues to be considered in terms of procurement strategy;</p> <p>The Minimum wage declared by the Government is Le500,000 (US\$67) per month, therefore recruiting local unskilled labour should be beneficial in terms of financing;</p> <p>In addition to the above, local population is very likely to object if foreign contractor will bring more than 20-25% of unskilled labour from outside country, this may result in road blockage by local population due to very low employment rate;</p>	<p>There are no particular problems in terms of health and diseases, therefore no complications are awaited even though the effects of the Ebola outbreak are still lingering and there is a latent fear of another outbreak;</p>
Technology	<p>Borrower/Employer has in the last project acquired a Geological Information Management System (GIMS) with relevant software and also launched a very active website for its GIMS</p> <p>Borrower/Employer has also acquired the Kingdom software for the Petroleum Directorate for petrochemical analysis</p> <p>There is an absence of aeromagnetic survey equipment or facilities in country. External Support will be required for this exercise</p>	<p>Everyday technology like internet, cell phone coverage, cloud services etc. are widely available and their shortage is not expected;</p>
Legal	<p>Legal climate in country is very business friendly, there are no particular difficulties identified. The country is ranked high among nations that are easy to do business</p> <p>There is a goods and services tax of 15% and is very stable;</p> <p>There is a requirement for foreign contractors operating in local market to obtain a work permit which is about US\$ and is renewable on an annual basis</p> <p>The minimum wage is approximately 67 USD per month for full-time employment;</p>	<p>Employment law specifies that normal working day is 8 hours with requirement of overtime payments in case of exceeding this limit;</p> <p>There are environmental protection laws in place and an a regulatory agency set up superintend environmental issues.</p>
Environment	<p>No major environmental issues are envisaged in the Project</p>	



	<p>The SESA for the Project has clearly identified the environmental issues and the mitigation measures.</p> <p>There is an agency (Environmental Protection Agency) responsible for the issuance of license to operate after approval of an environmental assessment report by the contractor</p>	
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51. **Key Conclusions:**

- a. The upcoming election may pose some challenge on the procurement process depending on the conduct, outcome and acceptability by all the result.
- b. Market approach used to low value contracts (under USD200,000) should be National to promote development of the local market;
- c. Bid securing declarations should be used instead of Bid Securities where possible to avoid unnecessary costs due to high interest rates on Bank products;
- d. Price adjustment clauses should be used where possible due to unstable costs of commodities caused by high inflation rates.

Client Capability and PIU Assessment

52. **Experience.** The Ministry of Mines and Mineral Resources (MMMR) will be responsible for the overall project coordination and management. The MMMR has set up a Project Implementation Unit which is supervised by the Permanent Secretary of MMMR. The PIU has been operational since September 2012 and has built capacity and experience in project management, procurement and financial management. The PIU is comprised of a Project Coordinator, a Financial Management Specialist and Procurement Specialist supported by a Procurement Assistant. The PIU has successfully implemented the first phase of the EITAP project to completion which closed in December 2016. The PIU will carry out the day-to-day project management including procurement, disbursement, financial management, and monitoring and evaluation for the project. The PIU would assist the MMMR in ensuring that the project activities are carried out in accordance with agreed project objectives and performance targets.

53. **Need for hands-on support.** There is no immediate need for a “hands-on support” from the Bank as there is adequate procurement capability which can only be honed through short term training to deliver the project development objectives arising specifically from the aeromagnetic survey.

54. **Good Contract Packaging.** Contract will be appropriately packaged in lots or slices, where necessary, to attract adequate competition to benefit from economies of scale.

55. **Good contract management.** EITAP2 PIU will ensure that contract management strategies are put in place. Appropriate contract management strategy with the overarching purpose of ensuring that procurement activities are undertaken consistently to a high standard, efficiently and economically whilst helping to achieve value for money in the attainment of the strategic aims and objectives of the project.



56. **Prompt Payments to Suppliers/Contractors/Consultant.** The PIU will ensure prompt payments to suppliers, Contractors or Consultants. Prompt settlement of invoices strengthens service providers’ cash flow and engenders their confidence in the procuring entities and ensures early contract completion.

57. **Technical Capacity.** The PIU will use technical specialists to develop technical specifications for goods, adequate bills of quantities for works and robust terms of references for consultancy services to attract large spectrum of bidders. Where there is lack of internal capacity to develop such materials, the PIU will engage beneficiary institutions of the project or external sources to get this done.

58. **Fit for Purpose Planning and Packaging.** The PIU will adopt the right selection method, adopt appropriate evaluation criteria and use the right contract template for all procurement activities. The use of fit-for-purpose principle will enhance value for money in the utilization of the project resources.

59. **Project implementation arrangement.** The Ministry has a Procurement Committee consisting of procurement specific members and chaired by the Permanent Secretary. The Procurement Specialist serves as a secretary to the Committee. Top procurement decisions are taken by the Committee, evaluation reports are submitted to the Committee for consideration and early clearance or onward transmission to the Bank for No objection.

60. **Procurement Risk Level. The project procurement risk is currently rated as Moderate. There were no** major issues encountered in the previous project and the project was highly rated in term of meeting the PDOs.

61. **Complaints management and dispute resolution systems.** With the introduction of communities especially in the area of Green Gold, PIU will establish complaints and dispute resolution measures. The PIU has no previous experience on this aspect of project management. But we will adopt best practice measures to address the issue.

SWOT analysis

Strengths	Weaknesses
<p>Well established PIU with high procurement capacity and experience;</p> <p>Several individual consultants – Contract/Project managers in place;</p> <p>Track record of on-time payments to the Contractors/Consultants;</p>	<p>Weak technical department responsible for reviews reports and materials pertaining to extractives (geological, petrochemical);</p> <p>No monitoring and evaluation personnel</p> <p>No previous knowledge on complaints and dispute resolution mechanisms</p>



Opportunities	Threats
<p>Need for development of a well-established geophysical or geological resource base</p> <p>Fast registration of businesses due to improvements in registration and business laws;</p>	<p>Weak National Aeromagnetic capability</p> <p>Heavy rainfall during the rainy season</p> <p>Elections around the corner (in March 2018) which may bring some instability issues</p>

62. **Key Conclusions:**

- a. There is a need for development of capacity on aeromagnetic survey for the beneficiary agency as well as procurement knowledge to properly handle procurement issues pertaining to this survey
- b. There is need for a complaints and dispute resolution mechanism
- c. In case of resettlement issues, RAP shall be prepared and implemented on the earliest stage of project to avoid delays in procurement and implementation phase;
- d. Project Implementation Agreement should give exact deadlines for every step of the procurement/implementation phase and the Borrower together with the Bank should provide rigorous oversight to avoid bureaucratic delays;
- e. It would be beneficial to identify additional sources for price indexes apart from National Forensics Bureau to compare the date and avoid errors;

Market Analysis

63. This section attempts to identify the key players and the degree of competition of the supply market and how to leverage opportunities in the market for the effective delivery of procurement function towards achieving the project development objectives of EITAP2:

64. **Market complexity and competitiveness.** There is virtually no capacity in country by local firm to provide technical knowledge in aeromagnetic survey. Also in the previous project, a special waiver was given by the Bank to allow for shopping for the procurement of laboratory equipment for the National Minerals Agency due to the non-responsiveness of bids under open competition by local companies. This meant that capacity to handle these equipment is lacking.

65. **Delivery and supply security.** Sierra Leone is currently peaceful with conducive atmosphere for the delivery of goods and services.

66. **Borrower experience, capacity and capability.** MMR and EITAP2 PIU have experience in implementing Bank funded project. The PIU has trained and qualified staff through which EITAP project was successfully implemented and closed in December 2016.



67. **Market engagement.** The borrower will use information technology to understand and engage the supplier market. The project will leverage the resources to engage the suppliers meaningfully. International Organizations will be used for some procurement activities. MMR and PIU over the years have useful and cordial experience and relationship in working with UNOPS particularly, in complex procurement.

68. **Specification.** To make sure the Borrower develops appropriate specification or adequate performance requirements; Experts will be engaged to assist in drawing up specifications and Terms of Reference. The experts could be sourced from relevant government MDAs and from the private sector to assist drafting technical specifications as appropriate.

69. **Contract Management.** To make sure bids are competitive and ultimately deliver demonstrable VfM, the project will observe due diligence in terms of Contract Strategy (contract type, conditions of contract, pricing mechanisms, etc.) before contracts are awarded and signed. Good Contract Management will help ensure that suppliers fulfil their contractual obligations and that any issues are dealt with efficiently and effectively in a fair and transparent manner.

70. **Selection Methods.** Appropriate Selection Methods and Market Approaches for each procurement will be employed in order to ensure that the procurement arrangements selected deliver the PDOs and VfM;

71. **Evaluation Criteria.** Appropriate evaluation criteria and methods will be used to ensure the most appropriate supplier is selected;

72. **Procurement Strategy Analysis and Recommended Procurement Approaches for the Project**

- a. *Procurement of Goods:* Goods to be procured under the project will include laboratory equipment, furniture, office and ICT equipment, vehicles and off the shelf information management system (accounting software, Kingdom software, geological data).
- b. *Procurement of Non-Consulting Services:* The non-consulting services to be financed by the Bank are operations costs and vehicle maintenance.
- c. *Procurement of Consulting Services:* The consulting services under this project will include aeromagnetic survey, artisanal mining policy and regulations, kingdom software, geological information management system

73. Procurement under EIPAT 2 will be carried out in accordance with the World Bank's *Procurement Regulations for IPF Borrowers (Procurement in Investment Project Financing – Goods, Works, Non-Consulting and Consulting Services; July 2016)*. The risk of lack of and or inadequate competition is minimized. Both International and national bidders will be able to freely participate in any bidding processes under this project. MMR and EITAP2 PIU have successfully carried out procurement of goods, works, consulting and non-consulting services under donor funded projects. In addition, the project will comply with the World Bank's **Guidelines for Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006, and revised in January 2011** and the use of Hands-on Expanded Implementation Support (HEIS) as provided for under paragraphs 3.10 and 3.11 of the Procurement Regulations.



- **Market engagement strategy:** The PIU will ensure clear and unambiguous specifications, good packaging to benefit from economies of scale, promote transparent and competitive bidding processes, use performance securities, and ensure prompt and timely payments in all contracts, appropriate mechanisms for arbitration and resolution of disputes, effective mechanism for receiving and addressing complains from aggrieved bidders, stable currencies will be allowed in bidding and payment to reduce risk of losses due to volatility in the exchange rate of the local currency. All these will be harnessed to attract and engage bidders in provision of goods, works and services.
- **Contract strategy:** Goods, services and civil works will be packaged to attract qualified bidders (National or International) that have capability to complete contracts within stipulated periods. Also reasonable bidding periods will be specified to allow sufficient time for preparation of bids. This will be used to attract bidders to respond to advertised tenders. In addition, there will be effective and efficient contract admiration to ensure early contract completion. Prompt payments in line with contract schedules will eliminate a possible area of disputes. Regular meetings with suppliers and contractors will be held to fast-track contract completion.

Procurement Risks and Mitigation

The following procurement risks have been identified:

74. **Risk of delivery delays Due to Extreme Weather.** Sierra Leone is among African Countries with highest amount of rainfall. Constructions delays are experienced during raining season due to communication problems associated with flooding.

75. **Mitigation.** Under the EITAP2 Project, the schedule of procurement activities will take into account the different weather conditions in order to ensure that works contracts are awarded just before the dry season, so that contractors can work maximally during the dry season. Consideration would also be made regarding initiatives to improve Environmental, Social, Health and Safety (ESHS) performance in the award and execution of Civil Works Contracts.

76. **Preparation of goods Specifications and Bills of quantities (BOQ).** The PIU will identify knowledgeable technical personnel to prepare comprehensive and unambiguous technical specifications for goods, works and consulting services.

Procurement thresholds and methods

77. The table below depicts the Thresholds and Procurement Methods to be used under the EITAP2 project.

**Prior Procurement Arrangements and Procurement Methods/Arrangements**

Expenditure Category	Procurement Method/ Arrangement	Contract Value Threshold For use of Method (US\$)	Contracts Subject to Prior Review (US\$)
1. Works	Open, International (Works/Supply & Installation)	>=5,000,000	All contracts
	Open, National	>=200,000 - <5,000,000	None
	RfQ	<200,000	None
	Direct Selection	All values	All Contracts > 100,000
2. Goods and Non-Consultant Services	Open, International	>=300,000	All contracts
	Open, National	>=100,000 <300,000	None
	RfQ	<500,000 (motor vehicles only)	None
	RfQ	<100,000 000 (rest not motor vehicles)	None
	Direct Selection	All values	All Contracts > 100,000
	Procurement from UNOPS Agency	All values	None
3. Consulting Services	QCBS, QBS, LCS , FBS	>=300,000	All contracts
	CQS	<300,000	Contracts for procurement and legal services. TOR and Shortlists for the remaining contracts.
	IC	All values	All contracts ≥ 200,000. TOR and Shortlists for the remaining. Contracts. The entire process for the contracts for procurement and legal



			services regardless of the value.
	Direct Selection	All values	All contracts > 100,000
4.	Training, Workshops, Study Tours	All values	All

78. **Short list comprising entirely of national consultants.** Short list of consultants for services, estimated to cost less than US\$200,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 4 of Section II of the “Thresholds for procurement

Approaches and Methods by Country

79. **Consultancy services** estimated to cost above US\$300,000 equivalent per contract and individual consultants assignments estimated to cost US\$200,000 and above and all individual consultants hired on single source basis estimated to cost US\$100,000 and above will be subject to prior review by the Bank.

Procurement Objectives

80. Ensuring timely and efficient availability of quality equipment, consumables, consultants, and training in line with the approved Procurement Plan and in compliance with the Procurement Regulation for IPF Borrowers of the World Bank. Ensuring, to the greatest extent possible, procurement of equipment/supplies which would be compatible with available/existing equipment.

- a. Procurement objectives for each category of goods, services and works on the supply-positioning matrix which is in line with the supply positioning analysis as follows:
 - i. Routine Category: Minimize administrative effort in the procurement process
 - ii. Leverage Category: Reduce total expenditure in the procurement processes
 - iii. Bottleneck Category: Ensure continuity and quality of supply
 - iv. Strategic Category: Reduce risk and cost by managing supplier relationship
- b. Objectives for significant purchases (purchases falling into the leverage, bottleneck and strategic categories on the supply positioning matrix.)
- c. Objectives for the management of the procurement function will include, but not limited to:
 - i. Increase coordination of common user items across the organization
 - ii. Introduce new e-procurement system(s)



iii. Clear roles and responsibilities and ensuring that the reporting structure is that which minimizes bureaucracy.

81. The following are the major procurement activities under the different categories in the project. Other small procurement packages as presented in the project Procurement Plan. No OPRC and even RPM cases are envisaged under this project. Therefore, National Procurement Procedures will be applied for contracts under national competitive bidding (NCB). It will be worth noting that while national procedures may be used under NCB, the national threshold for NCB is far below the threshold for NCB by the Bank.

Table A: Procurement Options and Approaches

Attribute	Selected arrangement	Justification Summary/Logic
Pricing and costing Mechanism	Lump sum; Schedule of Rates/Ad measurement	Unit rates of goods and work items would be established for contracts, and suppliers and consultants would be paid on the basis of the quantities of items or measured work done.
Suppliers Relationship	Collaborative	Suppliers, contractors and consultants will be given advance notice of contract opportunities (GPN, Pre-qualifications; publication of annual procurement plans), supply chains network will be created, Pre-bid meetings will be held and industry workshops will be organized to create awareness.
Price Adjustments	Fixed price; Negotiated	The procurement packages are small in size. Transactions are not complex and implementation would be completed earlier than 18 months. The consultancy service contracts would require negotiations of both the technical and financial proposals to ensure that both parties agree on the terms and conditions of contract.



Form of Contract (terms and conditions)	A. Lump Sum B. Time based	The conditions of contracts, terms of agreement and expected deliverables would be well defined prior to contract effectiveness. There may be the need to hire consultant on call-down basis.
Selection Arrangements	UN Agencies, Community. Framework Agreement (FA)	The services of (UNOPS) will be employed in providing goods and services under the project when necessary. FA will be established where necessary to enhance efficiency and effectiveness in the procurement of frequently ordered items.
Market Approach	Open, Limited International National, Direct contracting NPP, Single State, Negotiations	Goods, services and civil works will be well grouped in economical packages to attract qualified bidders (National or International) to assure value for money. In addition, adequate contract administration will be put in place
Pre/Post Qualification	Post Qualification	Since procurement packages would be open and competitive, Borrowers would evaluate and verify bidders' technical and financial qualifications prior to award of contracts. Use of prequalification is not envisaged.
Evaluation Selection Method	QCBS, CQS, DC	International and local consulting firms and individuals would be offered opportunities to express their interest and submit proposals based on the magnitude, size and risks associated with each package.



Evaluation of Cost	Live cycle cost	The use of LCC would be required in the procurement of identified equipment to ensure that operating and maintenance cost are factored into the evaluation requirements.
Domestic Preference	NO	No Applicable

Summary of the PPSD to Support the Preparation of the PAD by the Bank

82. **Institution Arrangements for Procurement.** The Ministry of Mines and Mineral Resources will be the procuring entities under this project. MMMR will assume the project coordination function and shall provide overall procurement oversight and supervise the procurement activities of the Project, and ensure compliance with the provisions of the Financing Agreement. MMMR shall make use of the existing PIU to achieve the project objectives. The PIU will be mandated to (i) coordinate annual work plan and procurement plan development, (ii) prepare reports relating to the implementation of the Project activities.

83. **Risk and Mitigation Measures.** The POM will be used to ensure that risks and mitigations measures are taken to consideration. All procurement activities will be carried out in accordance with World Bank requirements under the New Procurement Framework. The PIU will apply the procurement procedures detailed in the Project Operational Manual and will develop detailed checklists to ensure consistent and compliant Project procurement. The PIU will also develop a contract management system to ensure that all contracts under the Project are effectively and efficiently managed. This will include the tracking of key contract milestones and performance indicators as well as capturing all procurement and contract records.

Procurement Plan for EITAP 2

84. The Government has finalized an 18-month Procurement Plan for project implementation that outlines the procurement methods to be used. The plan will be updated upon agreement with the project team annually or as required, to reflect actual project implementation needs and improvements in institutional capacity.

**Goods**

Ref. No.	Contract (Description)	Estimated Cost US\$	Procurement Method	Prequalification (yes/no)	National Preference (yes/no)	Review by Bank (Prior / Post)	Expected bid opening date	Expected Contract Signature Date	Comments
1.	Procurement of Additional Equipment for Geological Surveys Laboratory	340,000	Sole Source	No	No	Post	30-Jan-18	27-Feb-18	A single Lot through which award recommendation will be made
2.	Procurement of Equipment for GSD Lab	120,000	Sole Source	No	No	Post	30-Apr-18	18-May-18	A single Lot through which award recommendation will be made
3.	Construction & Installation of 315KV Transformer House for the GSD Lab	60,000	RFQ	No	No	Post	23-Jul-17	15-Aug-17	A single Lot through which award recommendation will be made
4.	Procurement of Hardware/Software for GIMS upgrade/Maintenance	200,000	NCB	No	No	Post	20-Feb-18	20-Mar-18	A single Lot through which award recommendation will be made
5.	Renewal of 4 current kingdom software licenses, extensions to the current licenses and purchase of 2 additional licenses for the PD	91,000	Sole Source	No	No	Post	01-May-17	14-May-17	A single Lot through which award recommendation will be made



6.	Renewal of 4 current kingdom software licenses		210,000	Sole Source	No	No	Post	20-July-18	31-July-18	A single Lot through which award recommendation will be made
7.	Procurement of 4 licenses of Geographical Information Systems (Arc GIS) software and extensions for the PD		20,000	Sole Source	No	No	Post	01-May-17	14-May-17	A single Lot through which award recommendation will be made
8.	GIS Software Maintenance of 4 Licenses-PD		28,000	Sole Source	No	No	Post	07-July-18	21-July-18	A single Lot through which award recommendation will be made
9.	Replacement of Eight(8) technical workstations PC's		40,000	RFQ	No	No	Post	27-Mar-18	10-Apr-18	A single Lot through which award recommendation will be made
10.	Procurement of Hardware/Software for GIMS upgrade		200,000	RFQ	No	No	Post	15-May-18	5-Jun-18	A single Lot through which award recommendation will be made
11.	Development of the new Integrated Information Management System		250,000	NCB	No	No	Post	26-Jun-18	17-Jul-18	A single Lot through which award recommendation will be made
12.	Block System Implementation in line with the MMA 2009	Purchase of differential GPS	43,000	RFQ	No	No	Post	25-Sept-18	19-Oct-18	A single Lot through which award recommendation will be made



13.	Capacity Building of Regional NMA Offices	Procurement of 20 off Road Motorcycles	140,000	RFQ	No	No	Post	18-Mar-18	17-May-18	A single Lot through which award recommendation will be made
		Procurement of Hand held GPS Equipment	50,000	RFQ	No	No	Post	20-Mar-18	30-Apr-18	
		Personal Protective Equipment	60,000	RFQ	No	No	Post	17-Apr-18	24-May-18	
14.	Purchase of monitors and CPU's to donate to University of Sierra Leone Geology Dept.		15,000	RFQ	No	No	Post	7-Mar-18	21-July-18	A single Lot through which award recommendation will be made
15.	Procurement of furniture for the policy Unit		18,000	RFQ	No	No	Post	28-Sept-18	12-Oct-18	A single Lot through which award recommendation will be made
16.	Procurement of IT Equipment for the Policy Unit		12,000	RFQ	No	No	Post	28-Sept-18	12-Oct-18	A single Lot through which award recommendation will be made
17.	Procurement and Installation of Accounting Software		40,000	RFQ	No	No	Post	2-Oct-17	6-Oct-17	



CONSULTANCY

Ref. No.	Description of Assignment		Estimated Cost US\$	Selection Method/ Arrangement	Review by Bank (Prior / Post)	Expected date of proposal submission	Expected Contract Signature Date	Comments
1.	Hiring of a Minerals Policy Consultant		270,000	CQS	Post	9-Oct-18	30-Nov-18	
2.	Hiring of a consultant to conduct needs assessment for the EPA		80,000	Individual Consultancy	Post	01-Aug-17	15-Aug-17	
3.	Hiring of an Independent Administrator for the 2015-2016 EITI Report		150,000	CQS	Post	28-Sep-17	17-Oct-17	
4.	Local Content and linkages; Assessment of local business opportunities to improve side-stream linkages to mining		150,000	CQS	Post	9-Oct-18	30-Nov-18	
5.	GIMS Maintenance by GAF for next one year through the upgrade transition		25,000	Direct	Post	02-Jan-18 20-Oct-18	16-Jan-18 25-Nov-18	GAF was the Firm that was awarded the Contract for the establishment of a GIMS at NMA
6.	Block System Implementation in line with the MMA 2009	Hiring of a Consultant	30,000	Direct	Post			
7.	Development of Data Management Policy		35,000	CQS	Post	15-Nov-17	30-Nov-17	
8.	Geophysicist Preparation for airborne geophysical survey		120,000	CQS	Post	23-Oct-17	31-Nov-17	



9.	Nationwide Airborne Geophysical Survey (aeromagnetic and gamma-spectrometric campaign)	7,880,000	QCBS	Prior	22-Sep-18	03-Dec-18	
10.	Supervision of Airborne Geophysical Survey	800,000	QCBS	Prior	01-Sept-18	22-Sept-18	
11.	Nationwide Geological and Geochemical Mapping Campaign	1,000,000	QCBS	Prior	14-Nov-18	14-Dec-18	
12.	Review of Mines and Minerals Act 2009	200,000	QCBS	Prior	10-Oct-18	30-Nov-18	
13.	Review of NMA Act 2012	100,000	QCBS	Prior	15-Mar-19	30-Apr-19	
14.	Resettlement Policy/Regulation	100,000	CQS	Post	16-Apr-19	7-May-19	
15.	Artisanal Mining Regulation	100,000	CQS	Post	8-May-19	28-Jun-19	
16.	Community Livelihoods Baseline Study	100,000	CQS	Post	10-Jul-17	24-Jul-17	
17.	Baseline Study on Artisanal Mining	900,000	QCBS	Prior	30-April-19	28-May-19	
18.	Review, Upscaling and Replication of LAD Project Model	90,000	Sole Source	Post		05-May-17	
19.	Pilot “Green Gold” activities and increase women’s economic opportunities in the gold value-chain(women cooperatives)	1,750,000	QCBS	Post	30-April-19	28-May-19	

**Training/ Workshop/Investment Promotion**

(Training, Workshop and Investment promotion activities are subject to TTL clearance)

Ref. No.	Training, workshop and Investment Promotion	Estimated Cost (US\$)	Estimated Duration (Days)	Expected Training/workshop/Investment Promotion Date
1.	Initial Training/Capacity Building-MMMR/NMA/PIU	140,000	10 months	Various
2.	Capacity Building & Training-MMMR	200,000.00	60 months	Various
3.	Capacity Building & Training-NMA	200,000.00	60 months	Various
4.	Capacity Building-NRA	250,000.00	60 months	Various
5.	Capacity Building & Training-EPA	70,000.00	60 months	Various
6.	Capacity Building & Training-PD	150,000.00	60 months	Various
7.	Capacity Building & Training-PIU	60,000.00	60 months	Various
8.	Study Tour & Investment Promotion	300,000.00	60 months	Various
9.	Support to the Policy Directorate for inter-MDA and Multi Stakeholder collaboration and coordination	100,000.00	60 months	Various
10.	Survey Consultations	65,000.00	2 months	Various
11.	Creation of partnerships and links with academic and technical institutions to enhance the research and development capacity	300,000.00	60 months	Various
12.	District Sensitization workshop (14 Districts) on the Minerals Policy	66,000	2 months	3 rd Quarter of 2017
13.	District Sensitization workshop (14 Districts) on the ASM Policy	80,000	2 months	3 rd Quarter of 2017
14.	Key Stakeholders workshop on Petroleum Law	60,000	2 weeks	4 th Quarter of 2017
15.	Project Launching Workshop	50,000	2 days	4 th Quarter of 2017



16.	Stakeholder Consultations-Block System	65,000.00	3 months	2 nd Quarter of 2018
17.	Study Visit (Max 4 people)-Block System	27,000.00	1 month	2 nd Quarter of 2018

Monitoring and Evaluation

85. M&E is a key activity in the project and will be carried out by the PIU based on the indicators and milestones developed in the Results Framework. A robust M&E system will be developed early on in project implementation to monitor progress and ensure impact. Where applicable, M&E will include gender-disaggregated data. Strengthening client capacity for M&E for the sector will be an integral part of the project to enable the relevant institutions to keep track of environmental and social safeguards implementation and compliance.

86. The PIU will have overall responsibility for monitoring and evaluating the project subcomponents/activities in accordance with the indicators and benchmarks included in the Results Framework. The other beneficiary agencies will be responsible for collecting, analyzing, and supplying the indicator data relevant to the project components/activities under their implementation to the PIU.

87. No later than 45 days after each quarter, the PIU will submit to the World Bank the consolidated quarterly progress reports covering all project activities, including a procurement and a financial summary report. Biannual reviews, the first one to take place six months after effectiveness, should provide detailed analysis of implementation progress toward achieving the project development objectives and include evaluation of the FM and a post review of procurement aspects.

Role of Partners

Table 2.7: Development Partners in Sierra Leone

Name	Institution/Country	Role
International Monetary Fund	Sierra Leone	Public Financial Management Regime and Fiscal Rule on Extractive Sector Revenue Management; Extractive Industries Revenue Act; TA support to improve the Taxation and Revenue Management Framework for the sector including support to the Extractive Industries Revenue Unit (EIRU) within the NRA; Support to Ministry of Finance on extractive revenue modelling and forecasting capacity
UK DFID	Sierra Leone	Funding British Geological Survey's support to the NMA and PD Geological Survey departments in preparation for the Geo-physical survey and Geo-mapping exercise proposed under EITAP2;



		Launching an Extractives Resource Hub providing a knowledge and information resource for extractives sector policy makers mainly targeting the government and civil society to help improve the sector's transparency and accountability;
Germany GIZ	Sierra Leone	Support to capacitate a new cadre of Compliance Officers within the NMA's regional offices to improve the Management of the Artisanal Mining Sector; Support the implementation of the Community Development Agreements and more generally, to strengthen the capacity of the NMA Community Affairs Department; Support the EPA to implement recommendations from the recent Strategic Environmental and Social Assessment of the ASM sector; Fund the Local Content Agency in implementing the scorecard reporting system by mining companies; Working in partnership with the EU on the harmonization of fiscal regimes across the MRU region to strengthen the Kimberley Certification process; Continuing its support to the Online Mining Repository (IT-based license management system for NMA)
AfDB	Sierra Leone	Extension of the Mineral Revenue Enhancement and Governance Project with Technical Capacity Building support for the EIRU, NMA and Ministry of Finance.
EU	Sierra Leone	Through its PFM project, the EU's support to the sector will mainly be focused on providing TA for the development of Transfer Pricing Regulations strongly hinged on the EITI.
UNDP	Sierra Leone	Support to the Extractive Sector Benchmarking Process and on the back of that, the development of the MMMR's Strategic Plan; Extractive Industries Revenue Act



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY : Sierra Leone

Extractive Industries Technical Assistance Project Phase 2

Strategy and Approach for Implementation Support

1. The Implementation Support Plan (ISP) focuses on mitigating the risks identified in the SORT, and aims at making implementation support to the client more flexible and efficient. It also seeks to provide the technical advice necessary to facilitate achievement of the PDO (linked to results/outcomes identified in the result framework), as well as identify the minimum requirements to meet the World Bank's fiduciary obligations.
2. **Technical.** Implementation support will include: (a) monitoring progress on objectives; (b) finetuning strategies where required; and (c) drawing lessons from the implementation for wider applicability.
3. **Financial management.** Implementation support will include: (a) reviewing submitted reports and providing timely feedback to the implementing agency; (b) supporting the development of the internal audit function within the MMR; (c) providing training and support to the accountants within the Office of Administration and Finance.
4. **Procurement.** Implementation support will include: (a) providing additional staff and training as needed for the MMR and the project team; (b) reviewing procurement documents and providing timely feedback to the MMR and Project team; (c) providing detailed guidance on the World Bank's Procurement Guidelines to the MMR and Project team; and (d) monitoring procurement progress against the detailed Procurement Plan.
5. **Environmental and Social Safeguards.** The World Bank team will supervise the implementation of the agreed ESMFs and Plans and provide guidance to the MMR and Project teams to ensure that safeguards issues are addressed.
6. **Other Issues.** Sector level risks will be addressed through policy dialogue with the relevant Government Ministries.

Implementation Support Plan and Resource Requirements

7. The World Bank team members will be based in Washington DC, in the Sierra Leone Country Office in Freetown and in other Country Offices, and will be available to provide timely, efficient and effective implementation support to the clients. Formal supervision and field visits will be carried out at least twice annually. These will be complemented with regular video conferences to discuss project progress. Detailed inputs from the World Bank team are outlined below:



8. **Technical, Policy and Legal/Regulatory inputs.** Technical, policy and legal/regulatory related inputs will be required to review bid documents to ensure fair competition, sound technical specifications and standards.
9. **Fiduciary requirements and inputs.** Training will be provided by the World Bank's financial management and procurement specialists as needed. The World Bank team will also help identify capacity building needs to strengthen financial management capacity and to improve procurement management efficiency. Financial management and procurement specialists will be based in the country office to provide timely support. Formal supervision of financial management and procurement will be carried out semi-annually.
10. **Safeguards.** Inputs from environment and social development specialists will be provided as needed.
11. **Task Team composition.** The World Bank task team leader (TTL) will handle the day-to-day matters of the project as well as coordination with the client, with support from other members of the task team and specialists from other Global Practices, including Trade and Competitiveness, Finance and Markets, and Macroeconomics and Fiscal Management. The country office has, to a large extent, the required staff to provide necessary support to the PIU and local communities and fulfill the project needs, including fiduciary, safeguards, M&E, and communications. The country office will maintain liaison and provide support to the client on a daily basis, under supervision and guidance of the TTL from headquarters.
12. The team will also conduct at least biannual supervision missions, including technical, safeguards, operational, and fiduciary staff. In conjunction with government counterparts, the World Bank team will monitor and report on progress against the monitoring indicators agreed in the Results Framework, as well as verification of their achievement. The team will also monitor risks, updating the risk assessment as needed and paying attention to the 'Institutional Capacity for Implementation' risks.
13. The midterm review (MTR) will be carried out by the Government and the World Bank 30 months after the project effectiveness date, to measure progress toward achievement of the project's objective. The MTR will assess overall project performance against indicators, as well as the level of political commitment during the first half of the project. Based on the assessment of progress at the midpoint of the project, recommendations for improvements/changes would be considered by both the Government counterparts and the World Bank management team. The MTR will also review overall project implementation arrangements, making adjustments as necessary. Tables 2.1 and 2.2 map out the proposed implementation plan, skills mix, and other inputs required.



Table 2.1: Implementation Plan

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Team leadership, technical and procurement review of the TORs and procurement documents, institutional arrangement, project management, and supervision	TTL and other World Bank technical team members, consultants (technical professionals, operations officer/analyst, Fiduciary Specialists, Safeguards Specialist)	US\$150,000	
	Implementation of procurement planning and control system; strengthening capacity of the PIU, including additional procurement and FM training	Procurement and FM Specialists		
	Verifying if the fiduciary risk mitigating measures implemented by project effectiveness are still functioning as intended; identification of any potential problems early in the life of the project	Fiduciary Specialists		
	SESA preparation and implementation	Environment and Social Experts		
	Financial Management	FM Specialist		
12-48 months	Project management, operational and technical inputs	TTL and other World Bank technical professional team members and operations officer	US\$200,000	
	FM, disbursement, and reporting	FM Specialist, Disbursement Officer		
	Procurement review	Procurement Specialist		
	M&E	M&E Specialist		
	Communications	Communications Officer		
	Environmental monitoring	Environmental Specialist		
	Social monitoring	Social Specialist		



Table 2.2: Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task Team Leader	10	As required	Washington, DC Based
Operations Support	5	Idem	Washington, DC Based
Procurement	5	Idem	Country Office Based
FM Specialist	5	Idem	Country Office Based
Oil and Gas Specialist	5	Idem	Washington, DC Based
Extractives Specialist	40	Idem	Country Office Based
Environment/Safeguards Specialist	2	Idem	Washington, DC Based
M and E Specialist	4	Idem	Washington, DC Based
Legal Specialist	5	Idem	Washington, DC Based
Economist	4	Idem	Washington, DC Based
Governance Specialist	1	Idem	Country Office Based
Social Development/Safeguards Specialist	2	Idem	Country Office Based



ANNEX 4: HISTORY AND EVOLUTION OF ARTISANAL MINING IN SIERRA LEONE

1. Diamonds were first discovered and mined as artisanal operations in Eastern Sierra Leone in the 1930s; artisanal gold mining in Sierra Leone was ongoing as early as at the turn of the 20th century. By the 1950s, to mitigate illegal artisanal diamond mining, rights to the discovery of alluvial diamonds particularly in Kono and Tongo were granted to the “Sierra Leone Selection Trust”; this resulted in the then British Colonial Government’s introduction of the “Alluvial Diamond Mining Scheme” in 1956 through which rights were granted for alluvial mining in the rest of the country, and which limited mining these areas to Sierra Leoneans.
2. The 1970s marked a surge in poor sector governance. In 1985 the Government Diamond Office (GDO) was established to improve sector governance; outbreak of war in the 1990s resulted in the smuggling of diamonds to fund conflict lasting until 2002. The Government Gold and Diamond Department (GGDO) was later established to buy gold and diamonds at competitive prices, market and export to ensure proper valuation toward raising government revenues.
3. Artisanal mining has emerged to be a major source of livelihood for rural residents, as well as for accepted but illicit foreign workers. The low-cost, rudimentary nature of artisanal diamond mining coupled with its relative profitability attracted young Sierra Leoneans; artisanal mining became an important new source of livelihood for rural populations. Other West Africans migrated to the country primarily to operate as diamond brokers and dealers.
4. At one time, it was estimated that more than 80 percent of diamond mining was through artisanal methods. The now global “conflict diamond” campaign of the 1990s emerged from the artisanal mining of “blood diamonds” that funded civil conflict in Sierra Leone, but today’s market has large-scale diamond mining that has overtaken some of the potential of smaller operations. In the post-conflict period, significant emphasis was given to large-scale/industrial mining primarily of Sierra Leone’s diamonds, iron ore, bauxite, and rutile.
5. Historically, all types of mining—including artisanal—has threatened the flora and fauna throughout the country including forest, nature, game reserves and sanctuaries and national park areas, many of which are protected areas. The main threats to Sierra Leone’s remaining forests have been assessed to include: agricultural expansion, logging, charcoal and firewood production, wildlife trade for bush meat, and mining.
6. To date, the monitoring of human danger and environmental damage of Artisanal Mining has not been systemized; illicit artisanal operations and corrupt practices are anecdotally rampant. Lifecycle approaches that consider best mining practices and mine monitoring of artisanal mining operations are not taken in the current market; this results in abandoned mines, open pits, and deforestation and degraded soil and water. Mine workers are subjected to hazardous conditions and operate without meaningful protective gear.



Artisanal Mining in today's market

7. Today artisanal mining is ongoing in more than half of the country's 149 Chiefdoms. Primary artisanal mining is for diamonds and gold although some coltan and zircon are also mined using artisanal methods. Artisanal prospects for bauxite, rutile, iron ore and corundum are promising but have not been exploited. Most diamonds and gold are found in varying gravel concentrations ranging from 6-10 meters in depth throughout the north, south and eastern provinces of Sierra Leone located in high and low terraces, hard rock, watercourses and riverbeds.

8. As diamond deposits are depleted, artisanal miners experience diminishing returns as they nonetheless continue to mine areas in hope of finding diamonds; some shift to gold mining is underway. It is estimated that artisanal mining and related activities provide livelihood support to at least 300,000 Sierra Leoneans and that upwards of 10 percent of Sierra Leoneans are impacted by artisanal diamond mining.

9. To date, Government policy and public oversight has focused on large-scale mineral investments leaving artisanal operations to function with considerably less regulatory oversight at remote, local levels. Artisanal mining operations are characterized by untrained miners with limited technical and financial capacity, non-mechanized technology, and ad hoc mining methodologies. A segmented approach to artisanal mining means a loss of potential value-added and value chain opportunities wherein workers, traders, dealers, and exporters operate as non-integrated parts of the mining cycle.

10. The contribution of the artisanal mining sector to the Sierra Leonean economy has not been formally captured but practically is of demonstrable impact, primarily in the creation of employment and generation of income in rural and remote communities. Recent statistics indicate that close to 40 percent of all diamond exports are mined at artisanal operations; as diamond deposits are depleted this figure may be expected to reduce.

11. Despite the opportunities presented by artisanal mining throughout the country, poverty rates are extreme and the economic benefits of artisanal mining (notably from production) are not captured to reduce poverty, provide sustainable livelihoods, or improve quality of life.



ANNEX 5: MAP

