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AGENCY FOR
INTERNATIONAL
DEVELOPMENT

SIERRA LEONE

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 83

BEST AVAILABLE

January 1981

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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SIERRA LEONE: SMALL PROGRAM STATEMENT, FY 1983 - FY 1987

I. Rationale for U.S. Bilateral Development Assistance

A. Economic and Commercial Considerations

A.I.D. reestablished a bilateral development assistance program in Sierra Leone in FY 1977 because it is a friendly, relatively poor country which gives high priority to rural development. These reasons remain valid for the five year planning period FY 1983 - FY 1987. In vivid testimony to its commitment to social and economic development, the Government of Sierra Leone (GOSL) is implementing an ambitious interim 3-year economic and financial program to insure establishment of a sound development base and a fundamental improvement in the country's balance of payments. Sierra Leone's recent courageous policy measures and actions taken on a number of economically and politically risky issues in conjunction with the IMF warrant our continued support through long-term commitment of U.S. bilateral development assistance.

The Government of Sierra Leone has met, to a large extent, the conditions of the November 1979 IMF stabilization (standby) program. This occurred despite the financing demands related to hosting the June 1980 OAU summit. The country managed to maintain government debt, bank credit and external payment arrears within limits acceptable to the IMF. The GOSL has effected stricter budgetary controls and has managed to keep its expenditures within IMF program guidelines. In addition, the GOSL has diversified its tax base through improved income and excise tax collecting performance, thus reducing its dependence on customs duties and export taxes.

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The GOSL's positive performance under the one year IMF standby signed in November 1979 led to the recently negotiated Letter of Intent for an Extended and Special IMF borrowing facility providing $250 million over a three year period. The terms and conditions under which the extended facility was granted provide for a climate of fiscal discipline under which the country can move to correct its structural problems, and set the tone for the second five-year development plan now being prepared.

Sierra Leone shares with the United States the goal of an improved rate of economic development which emphasizes expanded food production and the greater well-being of the rural population. Agriculture currently provides the principal livelihood for approximately three-quarters of the population and accounts for about one-third of gross domestic product (GDP). The GOSL's development strategy for the next three years concentrates on continuing and expanding a program designed to increase agricultural production as a means of broadening the economic base of the nation and increasing the welfare of the broad mass of its citizens.

As an interim guide for action pending completion of its five-year development plan, the government has prepared a three year medium-term investment program which provides for total investment through the development budget of Le560 million at 1980/81 prices over the three-year period, of which approximately 78 percent will be financed from foreign concessional borrowing and the remainder (Le123 million) from locally-generated resources. Based on past experience, it is expected that about 80 percent implementation will be achieved, in which case total actual expenditure would be about Le450 million (at constant 1980/81 prices). The sectoral

emphases are on agriculture (24 percent) electricity and water (24 percent) and transportation (26 percent). The greater priority accorded to agriculture is reflected by comparison with fiscal 1973/74, when agriculture was allocated a mere 11.4 percent of the total development budget. Indeed, when the planned investment in rural infrastructure directly supportive of agriculture (e.g., rural roads) is included, the GOSL's overall investment in rural development is in excess of 30 percent of the total. USAID, with a relatively modest commitment, can play a key role in the GOSL's rural development efforts. Furthermore, the country team believes that a bilateral development assistance program also provides an important resource in furthering U.S. foreign policy goals and objectives in Sierra Leone, which include strengthened bilateral relations based on the traditionally friendly ties of Sierra Leone with the West, greater regional cooperation with other West African countries through ECOWAS and the Mano River Union (MRU), and the enhancement of human rights.

In addition to the direct public investment cited above, private sector and parastatal enterprises are expected to invest about Le231 million over the three-year plan period, of which substantial elements will be rice improvement programs and Kimberlite mining. This implies that the ratio of total investment to GDP will rise from about 12 percent in 1980 to an average of 15 percent in 1981-1983, which is consistent with a projected increase in the rate of growth of real incomes from about 1.0 percent at present to about 3.0 percent by 1983.

The GOSL is encouraging investment in and development of several mining schemes so as to improve the benefits accruing to the economy. Implementation is expected to begin during 1981 of the Kimberlite diamond mining scheme (total cost about Le100 million of which the GOSL's equity position will be 60 percent, which should provide revenues of about Le50 million annually beginning in 1984); mineral contracts covering bauxite and rutile mining operations (a $35 million U.S. rutile investment began production in 1979) are currently being reviewed and will be renegotiated before July 1981, and a revised contract providing for the resumption of iron ore mining was signed in January 1981 under which production should begin in about 18 months. As a result of the recent revival of interest in gold mining in Sierra Leone, the Government has announced that before mid-1981 it will spell out its policies for the licensing and marketing of locally-mined gold. A new Development of Industries Act designed to rationalize the incentives and guarantees offered to investors has recently been drafted and will be enacted in 1981.

Per capita energy consumption in Sierra Leone dropped 22 percent in the 1970's and is close to rock bottom at 98 kilograms of coal (equivalent) per year. The Government has shown its willingness to adopt policies for energy conservation. Construction of the Goma Micro-Hydroelectric project has started, and the Bumbuna Hydroelectric project will begin construction in 1981; together they should significantly reduce the need for oil imports by the mid 1980's. As a result of recent, promising seismic studies off the coast of Sierra Leone, Mobil Oil is scheduled to begin drilling soon for oil.

(The BBC recently announced that Mobil will spend about $300 million, most of which will be for U.S. products and services, on developing Sierra Leone oil resources.) In addition, the IBRD is assisting with financing to upgrade and extend electrical systems in the major towns upcountry.

As part of the IMF agreement the GOSL has committed itself to a policy of "economic pricing", i.e. reduction or elimination of most consumer subsidies. For example, increases in crude oil prices are being passed on to consumers. In addition, an import tax of 8 percent was imposed on crude oil and platformate in January of this year. Together these have resulted in a recent increase in the price of gasoline from Le3.00 to Le3.40 per imperial gallon. Also, a heavy tax has been enacted on large cars. Electricity price increases averaging 50 to 60 percent are expected to be put into effect, with provisions for regular future adjustments to reflect fuel cost increases. Very poor families, however, can now receive electricity at subsidized rates.

The GOSL has recently taken several steps toward elimination of the net subsidy formerly in effect on rice operations, and provision of incentives for increased domestic production. Effective January 1, 1981 the producer price for paddy rice was raised from Le7.00 to Le8.00 per bushel, and a 10 percent duty was put on imported rice. Retail selling prices of imported rice were raised to Le25.20, Le30.20, and Le37.60 per 60 kg. bag, depending upon quality, representing increases of 17, 40, and 45 percent, respectively, over the previous prices. Domestic rice retail price remains at Le23.00 per bag.

In order to insulate export crop producers from the vagaries of changes in world prices the Government, through the Sierra Leone Produce Marketing Board, will avoid decreases in nominal terms while introducing gradual increases as and when world market conditions permit. As a further incentive to production of export crops, the producer prices of cocoa, coffee and palm kernals were recently restored to 90 cents per pound, 82 cents per pound and Le204 per ton respectively. The situation will be reviewed before the start of each budgetary year with the objective of gradually introducing more production incentive-oriented forms of taxation.

The GOSL is progressively introducing a number of other measures designed to broaden the tax base, improve built-in revenue elasticity, provide more appropriate protection of domestic industry, promote energy conservation and improve resource allocation. The first phase, during January 1981, included the following specific tax measures (estimated yields for January-June 1981 shown in brackets); (a) increases in excise taxes (Le3.5 million); (b) income tax measures (Le2.2 million); (c) a new development levy on various public institutions and hotels (Le2.2 million); (d) miscellaneous tax measures (Le0.9 million); and (e) introduction of import duties of 8 percent on crude oil, and 10 percent on rice and certain other imports (Le5.6 million). Future government contracts (including notably those in connection with construction projects) will no longer include exemptions from customs duties, which in addition to encouraging the use of local materials and removing incentives for diversion of materials imported for government projects to other uses, will also improve revenue performance. The Government is initiating studies in preparation for possible further tax reforms including: (a) the feasibility of a sales tax; (b) the feasibility of extending urban property taxation; (c)

the conversion of existing specific to ad valorem rates; and (d) a redrafting of the Income Tax Act.

The AID "Increasing Revenue for Development" project, an activity costing AID a total of some $700,000 has already significantly improved tax collection procedures and enhanced professional competence in the tax agency; individual and company tax collections have markedly increased and deliquent taxes have been decreased. At the time of this report indications are that these efforts have already increased overall tax revenues by Le6.5 million over estimates for this year. A formal evaluation of this project is due shortly.

The GOSL is enacting firm expenditure control measures including: (a) the centralization of control over the formerly self-accounting ministries and departments through the new "Expenditure Control Unit", (b) the imposition of quarterly cash ceilings, (c) the operation of a Central Procurement Unit, and (d) the posting of financial advisors in the major spending ministries to assist in planning annual budgets and provide supervision pertaining to the strengthening of financial control. New medium-term policies include: (a) an employment policy aimed at reducing redundant employment while restricting new hirings to essential posts; (b) a medium-term wages and salaries policy aimed at avoiding the periodic, large, umbudgeted increases in wage and salary expenditures which occurred in the past; and (c) no further general increases in the 1981/82 budget.

In the area of monetary and credit policies the Government has provided measures for mobilization of non-bank resources including an upward revision in interest rates to generate savings and provision of an IMF expert to assist in complete centralization of foreign exchange in the central bank. The minimum liquidity ratio will be raised from 40 to 45 percent by June of 1981 to encourage the commercial banks in provision of productive credit such as loans extended under the Credit Guarantee and Export Credit Guarantee Schemes. The National Development Bank will be strengthened, three new pilot rural banks will be launched by October 1981, and the Agricultural Cooperative Development Bank will be strengthened.

The overall balance of payments deficit, projected at Le101 million or about 7.0 percent of GDP in 1980/81, will be reduced to an average of about 4.0 percent of GDP over a three year period. The discount granted to diamond exporters, which has already been standardized at 5.0 percent, will be eliminated before the next diamond auction in March/April 1981, except in the case of DICOR, the largest exporter, in consideration of services provided to the industry, pending negotiation of alternative arrangements. Marketing arrangements for diamonds following the start of Kimberlite production will be designed to maximize the foreign exchange receipts. Total external arrears, which were almost Le100 million at the end of December 1980, will be reduced to Le80 million by the end of March 1981, and Le60 million by the end of December 1981. In further steps to improve its debt profile the Government has already commenced the renegotiation of its non-Paris Club debts as was agreed in connection wi th the 1980 Paris Club rescheduling, with a view to concluding all the necessary new agreements by the end of March 1981.

Out of the 38 countries with over one million population listed as low-income in the 1980 IBRD World Development Report, Sierra Leone was ninth in terms of average annual growth rate in agricultural production over the period 1970 through 1978. During that same period, out of 25 low-income African countries Sierra Leone ranked seventh in agricultural growth. It is also interesting to note that agricultural production increased at least 0.8 percent per capita each year despite the large-scale migration of labor to the towns which increased the dependency ratio in the rural areas. Thus, the rural sector has demonstrated a resiliency and an ability to adapt, which the country team believes can be capitalized on by the relatively cohesive efforts of the government and the donor community assisting the rural sector.

Two way trade with the U.S. has increased slowly but steadily during the past few years. Imports from the U.S. are in the range of $15 million to $20 million per annum. More importantly, the U.S. imports between $80 million and $100 million of Sierra Leone's products each year (primarily rutile and diamonds through London). If a large Kimberlite pipe is opened, U.S. purchases of diamonds may increase and if petroleum is discovered the U.S. may be a major buyer.

B. Political Considerations

President Stevens has been a moderating influence in West African politics, particularly with regard to President Doe of Liberia who has been courted by Libya and the Soviets. He has also been in close and frequent contact with Sekou Toure of Guinea and Houphouet-Boigny of the Ivory Coast. President Stevens is a strong supporter of African Regional and Sub-Regional Institutions and is the 1980-81 Chairman of the Organization of African Unity (OAU).

The government's public statements on the issues of Chad, Afganistan, and the U.S. hostages in Iran reveal a close convergence of interest with the U.S.

The Soviet Union is making a special effort to win the friendship of Sierra Leone. Examples include a major marine fisheries agreement, support for the Magburaka hospital, annual provision of 75 to 100 scholarships for study in the USSR, and the recent signing of a contract for Moscow-Freetown air flights (opening ceremony is scheduled for National Day, April 19), all of which appears part of an effort by the USSR to enhance its standing in the Mano River Union countries and Guinea-Bissau. In addition to one of the best deep water ports in the world, this part of Africa is particularly rich in minerals and may have petroleum reserves in commercial quantities. While the Soviet presence should not now be perceived as a direct threat, a signal of our disinterest could provide the opportunity for an enhanced Soviet role.

The well-publicized problems of GOSL management which climaxed with the large OAU expenditues have created a basically negative international economic and financial image of Sierra Leone. However, its main economic problems stem from the average annual decline in the industry sector of 3.5 percent in the period 1970-78, caused primarily by cessation of iron ore production and a fall-off of alluvial diamond production. Coupled with this were large increases in cost of imported petroleum based products, on which Sierra Leone has been almost completely dependent for its energy.

In addition to the positive steps cited above, due consideration within the African context must be accorded Sierra Leone for the following: (a) political stability has been maintained; (b) its human rights record is exemplary--it was not mentioned at all in the Amnesty International report for 1980; (c) the GOSL is not ideologically oriented toward state-owned or managed production enterprises; and (d) the GOSL appears to be making serious efforts to improve its financial management and curb abuses thereof (e.g. the recent arrest of three Ministers, three Permanent Secretaries and fifteen or more mid-level civil servants involved in the "vouchergate" scandal). One would be hard pressed to find another West African country with a comparable record.

Development officers familiar with the Sierra Leone AID program agree that it is well-conceived, well-managed, and provides a sound foundation for building a long-term U.S. bilateral development assistance program. All of the foregoing point to the need for a U.S. commitment to maintain a strong U.S. bilateral assistance program in support of the GOSL's efforts to progress in social and economic development.

II. Profile of the Beneficiaries

With an estimated per capita GDP of $256 at factor cost, 70 percent of Sierra Leone's population (about 3,300,000) are defined as poor. The dimensions of poverty in terms of the quality of life are similar in Sierra Leone to those existing in other less developed countries. Life expectancy is 44 years. The official infant mortality rate is 183 per 1,000 live births with considerably higher rates in some rural areas. Medical care is inadequate, particularly in the rural provinces, where health units lack trained staff, drugs and equipment. The crude birth rate is 45, and family planning services are generally not available in most areas outside of Freetown. Village water supplies are unsafe and undependable. Only 12 percent of the population has ready access to safe drinking water--75 percent of the urban and one percent of the rural population. While primary school enrollment and adult literacy have been growing, the literacy rate is a meager 15 percent.

According to World Bank statistics, 70 percent of the population is poor in absolute terms. Approximately 85 percent of these live in rural areas. Data from a 1977 nation-wide survey of specifically rural households indicate that incomes are low, averaging approximately $128 per capita, and income distribution is rather uniform. A special measure of income distribution (the Gini coefficient which is 0.32 for Sierra Leone's rural areas) shows Sierra Leone to be better in this regard than most African countries. There are neither large landholders nor landless laborers. The problem remains that this equality is at a low level, with a median per capita rural income in the $110 to $130 range; the income disparity relative to urban areas, especially Freetown, is significant. Almost half of

consumption expenditures are allocated to subsistence items, particularly food. Expenditures are concentrated on commodities which are labor intensive and produced in rural areas. The rural economy, then, does not have a sharply defined class structure and is based on subsistence consumption. Linkages with urban sectors, especially Freetown, are relatively minor.

The preponderence of energy use by rural and urban poor remains fuelwood for cooking. Fuelwood availability is not a major problem at this time, but could be if present trends toward extension of cultivation and shorter fallow periods continue. The government is aware of the implications of these trends and is now reviewing some major forestry assessments completed by the West Germans. It is fortunate they are recognizing the problem beforeit becomes critical.

In Sierra Leone there are about 286,000 farm smallholders. The average smallholder is 45 years of age or older. Traditionally, age within a family is respected, and control over land is attributed to the elder. Only 1.4 percent of landholders are under 25, indicating that few young people are by custom allowed to possess their own farms. The typical farmer derives his land use rights either through tribal affiliation or as a member of an extended family unit with established rights on communal land. Fifteen to twenty percent of heads-of-household are women.

The average small farm consists of 4.5 acres, usually in two separate parcels. On one holding a family will cultivate from 6 to 20 different crops in mixed plantings. Rice remains the most important agricultural crop of the country and is produced on 72

percent of the total 640,000 hectares that are cultivated. Seven out of ten smallholders grow rice, and six out of ten grow cassava. Only 22 farmers out of 100 who grow rice normally have a surplus to sell. Many rural families borrow rice for consumption during the "hungry season" (July-September), to be repaid after harvest at an effective interest rate of over 100 percent. About 66 percent of the farmers have excess production of one or more crops, which is bartered or sold for cash. About 51 percent of the total produce marketed is moved by headload over distances up to 20 miles. Farmers are responsive to economic incentives, and have been receptive to such technological innovations as improved seeds and chemical fertilizers.

The typical farm family consists of 7.4 persons; this is the production and consumption unit. Certain tasks may be carried out by a voluntary reciprocal work group which moves from farm to farm, but this cooperative labor does not alter the basic economic structure of one family, one farm. The single common exception is the additional, individually-owned field, usually acquired by a wife from her father's family, which she may work for personal profit. In the traditional shifting (bush fallow) cultivation system of subsistence agriculture the men fell trees, the women weed, and they both clear brush, plant and harvest. Men also devote a good deal of time to fencing gardens, which the women cultivate while the children stand vigil against pests, especially during early growth and near harvest. In some parts of the country nearly all subsistence food commodities are produced by women, while the men are occupied with the growing of cash crops. The retail marketing of farm produce is

exclusively within the women's domain, and provides them with an important source of income. For a more complete description of the beneficiary population see the Agricultural Sector Strategy, Annex A, attached.

III. Description of the Proposed Program

A. Summary

The importance of agriculture and its potential in Sierra Leone have been briefly noted above, and are more fully discussed in the Agricultural Strategy (Annex A). Given the preponderance of rural poverty and the apparent opportunity for sectoral growth, the Country Team recommends that AID focus its assistance efforts on the development of smallholder agriculture throughout the country, with the dual objectives of improving the quality of life of the rural population and promoting the growth of the national economy. We believe this approach is consistent with AID and U.S. Government priorities, the GOSL's efforts toward development and increased equity, and current economic realities.

The program we propose for FY 1983-87 focuses on two major constraints to development of the rural sector identified in the recent Agricultural Sector Assessment, namely the very low productivity of labor in agriculture (labor accounts for the major share of production costs) and the absence of adequate production incentives. Labor productivity can be increased through improved technologies and selective capital substitution, and the factor-product cost equation can be positively affected through appropriate policy measures. The AID program will be comprised of one major project in applied agricultural research and extension (ACRE) to address the technology question, and a PL 480 Title III program to support policy research and provide incentives for policy measures deemed useful in stimulating and supporting increased agricultural production. These two main emphases will be complemented by a few small projects (for the most part continuations of

present projects) in improving government revenues and provision of institutional agricultural credit. The present Title II program, which supports maternal and child clinics throughout the country, is also slated for continuation and modest expansion. The program is planned to work closely with existing and projected GOSL and other donor activities. The volume of AID bilateral assistance (including PL 480) is projected to increase from the present (FY 1981) $6.3 million to $10.7 million in FY 1985, decreasing to $8.8 million in FY 1987.

B. Discussion

Recognizing the importance and potential of agriculture in the country's economic development the GOSL, in cooperation with major foreign donors*, has undertaken a number of ambitious agricultural projects, to which it is making significant contributions in personnel and local operating costs. The most important of these are seven integrated agricultural development projects (IADPs) which now cover fully 80 percent of rural Sierra Leone. These projects, working under the umbrella of the MAF, are aimed at directly increasing smallholder production of rice, coffee, cocoa, oil palm, groundnuts, fruit and vegetables through provision of agricultural inputs (credit, fertilizers, improved seeds), improved extension services and marketing assistance. These IADPs will be providing

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*prominent among them the World Bank (IDA), the International Fund for Agricultural Development (IFAD), the European Economic Community (EEC), the German Federal Republic, the British Overseas Development Administration (ODA) and UNDP/FAO

support to roughly 20 percent of the country's farmers by 1982/83. Other farmers are being assisted through the Ministry's own extension service, an important element of which is the joint Peace Corps/MAF swamp (paddy) rice development project. All of these projects, however, are hampered by a lack of quality research data--the research base simply is not adequate, and a wide communications gap exists between present research and extension activities. It is these critical needs that are being addressed by AID's ACRE Project.

ACRE is the only concerted effort to carry out applied research into both production technologies appropriate to small-scale family farming units, and techniques of extension. As such, ACRE is in a position to provide vital support to the entire spectrum of directly production-oriented projects, a role that the GOSL is counting on ACRE to play throughout the planning period and into the future.

ACRE is being jointly implemented by the Ministry of Agriculture and Forestry (MAF) and Njala University College (NUC), the agricultural campus of the University of Sierra Leone, in a unique and innovative attempt to duplicate the combined research and extension functions of U.S. Land Grant Institutions. NUC was originally founded with AID support in the 1960's, and under ACRE both institutions are being supported and strengthened. ACRE's research focuses on farming systems and the farming unit rather than individual crops considered in isolation, and is therefore forced to consider the total range of farming operations including mixed cropping, crop rotations and fallow practices, labor allocation, storage and marketing. Key elements include the

use of base-line socio economic surveys in an attempt to promote the two-way flow of information between researchers and farmers through the extension service, and a very heavy reliance on on-farm research to break down the perceptual barriers between farmers and researchers. ACRE also includes a nutrition component to analyze the nutritional implications of the technical alternatives and offer recommendations. A final unique feature of the ACRE project is that it is Sierra Leone managed. The AID-funded expatriot team functions only in an advisory, not operational, capacity, which should facilitate the eventual assimilation of the project by the GOSL.

We expect that the planned October 1981 mid-term evaluation of the ACRE project will be positive and useful in terms of recommendations for improvement and future direction. However, it is already abundantly clear that we need to go forward with an amendment to the present project increasing the total AID contribution by $1.4 million and the GOSL contribution by approximately Le1.0 million. AID's portion will include: (a) $600,000 for reconditioning and staff/curriculum improvement at the Mange Agricultural Extension In-Service Training Center; (b) $200,000 for adaptive research and extension in fish production on farm ponds during the last two years of phase I (CY 1982-83); (c) $200,000 for strengthening and expanding the nutrition component during the remainder of phase I; and (d) $400,000 for construction of additional facilities.

A regular program of in-service training for extension workers is a new and badly-needed component of the MAF's overall extension effort. Development of this facility would permit the

results of ACRE's research in extension methods to be rapidly and regularly passed on to the field extension staff, and is therefore thought appropriate for inclusion under the ACRE umbrella. Farm fishponds, jointly implemented by the Ministry of Natural Resources and Peace Corps, have just gone through a successful pilot phase under AID's IRT funding, and the prognosis for a successful expansion of the program is good. Fish pond development can be closely related to paddy rice operations, and, as such, fits well into ACRE's overall farming systems approach. Additional funding for nutrition is necessary, as this component was not adequately budgeted in the original project document. Finally, the additional facilities funds are primarily for a maintenance center for U.S. 4-wheel-drive vehicles, which was not included in the original budget because of the original plan to purchase non-U.S. vehicles.

Phase II of the ACRE project is scheduled to begin in January 1984 for another five years. The components in phase I will be continued in phase II with the GOSL picking up responsibility for an increased proportion of the primarily operational aspects of the budget. The second phase will include a strengthening of the extension elements and the addition of new components in our long-term strategy of moving toward a complete multidisciplinary farming systems approach to adaptive research and extension. The additions include estimated levels of AID funding as follows: (a) $1.0 million for adaptive research and extension in vegetables and vegetable seeds; (b) $1.0 million for adaptive research and extension in small ruminants (goats and sheep) and poultry; (c) $1.0 million for adaptive research and extension in tree crops and farm forestry; and (d) $1.0 million

for adaptive research and extension in agribusiness (includes marketing of both farm supply inputs and farm produce outputs). Total AID cost for phase II of ACRE is estimated to be $8.0 million (in 1984 dollars) over the five year period ($4.0 million for the four new components and $4.0 million for AID's share of the continued operations of the numerous components started in phase I).

As per discussions in Washington during the 1978 reviews of the ACRE project proposal, AID has verbally committed itself to the ACRE project for a minimum of 15 and more realistically 25 years. That is the kind of long-term commitment essential to insure establishment of a viable institutional capacity of the type envisaged.

In the other major program component, a continued and expanded Title I/III program is being counted upon by the Country Team to play an integral role in our development assistance efforts, particularly vis-a-vis the incentive question, through the use of sales proceeds to support research (by local institutions) and policy reforms in the area of agricultural factor and product prices, and marketing. The recent GOSL request for assistance in planning a long-term PL 480 program testifies to its high regard for, and continued reliance on, PL 480, and provides an opportunity for a major restructuring of the present program. The time appears particularly ripe for a major incentive along these lines as a result of the GOSL-IMF medium-term economic stabilization and reform program. The opportunity provided by an expanded and suitably focused Title I/III program for effective collaboration with the IMF and GOSL in support of policy reforms is apparent.

Our plan calls for a gradual transition from the present Title I to Title III. Design work for the expanded program would take place during CY 1981. During 1982 and 1983 the Title I program would be gradually restructured to accord more closely with Title III program requirements, thus easing the transition. The change-over to Title III would take place in FY 1984. In order to support this more ambitious program the volume of assistance would gradually increase from the present (FY 1981) $1.3 million to $5.0 million in FY 1985 and beyond.

Other, smaller, projects planned for implementation during FY 1983-87 include a continuation of the present tax project and continued support for interventions in the agricultural credit realm. In view of both the continued need for increased government revenues and its successful record to date we propose a second phase of the Increasing Revenue for Development project (assuming a favorable mid-term review, now scheduled for CY 1981). The second phase, however, would be a significantly scaled-down operation, with provision for only short-term technical assistance and training.

In the area of rural credit (a third major problem identified in the Sector Assessment), AID currently has an OPG underway with CUNA for development of a national association of cooperative credit and savings societies. The national association, in turn, provides support to individual societies, the vast majority of which are rural. This project appears to be progressing well and its continuation into a second phase, during which the national association would assume total self-sufficiency, is a distinct possibility. A second possibility is that of collaboration, again through an OPG, with the Bank of Sierra Leone's proposed agricultural banking scheme. In either case further

AID participation will be contingent on significant GOSL or other donor participation and/or reasonable prospects for institutional continuity or self-sufficiency following the withdrawal of direct AID support.

An additional $200,000 to $300,000 per year is being programmed to support other, as yet undetermined, OPG initiatives in Sierra Leone. One possibility is a continuation of the present OIC vocational training project; another is participation in a rural road maintenance program, building on our prior experience in rural road construction under the CARE Rural Feeder Road construction projects. For any initiatives along these lines the same criteria for consideration would apply as mentioned in the proceeding paragraph.

Finally, the current PL 480 Title II program, administered by Catholic Relief Services (CRS) and well-received by the GOSL, would continue with a modest expansion of scope throughout the plan period. This program supports the food and nutrition activities of the Ministry of Health, and is the only comprehensive effort in basic health and nutrition education in the field of maternal and child health (MCH) in Sierra Leone.

c. Management Considerations

In summary, our program for Sierra Leone consists of two major, complementary, efforts--the ACRE Project and the expanded Title I/III program. Other regional or centrally-conceived and funded projects which cannot be justified in terms of their effectiveness and management "fit" in this program will be curtailed or eliminated. Any project efforts beyond ACRE and Title I/III will be implemented through OPGs. We will also attempt to maximize

management and technical cooperation with private voluntary organizations (PVOs), Title XII universities, Peace Corps, and other bilateral and multilateral donors in order to reduce the management burden on direct hire staff. Given these management directions, this program is realistic and implementable within the present direct hire staff ceiling, i.e. four Americans (including one secretary/administrative assistant).

IV. Options

Consideration has been given to phasing out the country program after FY 1982 because of the overall development climate. FY 1982 makes a logical cutoff date, as it is the last year of funding for ACRE as presently approved (a roughly one year pipeline would remain) and will mark the completion of the present tax and CUNA projects. However, we feel that it is neither good policy nor good management of our investment to terminate what we only re-established four years ago. The GOSL is definitely counting on our continued assistance and is making the required commitments. Development requires a commitment on our part as well. Furthermore, the development climate in Sierra Leone has changed significantly for the better over the past year as a result of the IMF program and the GOSL policy reforms listed in section I above. The costs, both in terms of developmental considerations and U.S. political interests, of a termination of our bilateral assistance program would far out-weigh any financial savings that might result.

V. Five Year Assistance Planning Level

Proposed Obligation, FY 1983-1987

($ Million)

	1983	1984	1985	1986	1987	Total
ACRE I	1.0[1]	-	-	-	-	1.0
ACRE II	1.0	2.5	2.5	2.0	-	8.0
Rural Credit	0.25	0.25	-	-	-	0.5
Increasing Revenue for Development II	0.2[2]	-	-	-	-	0.2
Other (unspecified OPG Support)	.2	.2	.3	.3	.5	1.5
PL 480						
Title I	2.5	-	-	-	-	2.5
Title II	2.5	2.7	2.9	3.1	3.3	14.5
Title III	-	4.0	5.0	5.0	5.0	19.0
Total AID & PL 480	7.65	9.65	10.7	10.4	8.8	47.2

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1 Assumes amendment to phase I as proposed.

2 LOP funding for a 3 year project, $100,000 for 1st year, $50,000 each of remaining 2 years.