Development Effectiveness Review 2015 – Sierra Leone Country Review

Following a long period of conflict and political instability, Sierra Leone has made remarkable progress in its efforts to promote peace and stability. Since 2002, the country has disarmed and reintegrated ex-combatants, resettled refugees and internally displaced people and conducted three peaceful elections, transferring power peacefully between political parties. It has restored basic services and rebuilt essential infrastructure, creating the foundations for a return to prosperity. These achievements were marked by the closure of the UN peace-building mission in March 2014 and its replacement by a development mission.

The legacy of conflict and fragility is by no means overcome. Over half of Sierra Leoneans still remain below the poverty line, and levels of health and education remain low. However, until the Ebola crisis, the country was making better economic progress than most countries in fragile situations, with higher-than-average growth rates.

In 2014, the Ebola epidemic caused extensive disruption to national social and economic life. The full impact of the crisis is yet to be seen, but it has certainly affected the real economy and private sector activity. It is crucial that the country emerge quickly from this setback and return to its path of national development.

Sierra Leone’s national development vision
Sierra Leone has set itself the ambitious goal of achieving middle-income country status by 2035. It will need major efforts to put in place the policies and institutions for promoting inclusive growth, including diversifying economic activities, promoting the agriculture sector, strengthening governance and ensuring that wealth from the extractives sector is invested wisely.

Post-war Sierra Leone moved quickly to put in place a national development planning mechanism. In 2002, as its 10-year conflict drew to an end, comprehensive plans were formulated for each district, to help people and communities recover. These local strategies were aggregated into a National Recovery Strategy, launched in October 2002 with the assistance of the United Nations Mission in Sierra Leone and other development partners. The National Recovery Strategy had a strong focus on empowering the people of Sierra Leone to rebuild the nation. It sought to promote peace and stability by creating the capacity in the public sector to deliver services, implement peace-building measures and promote reconciliation and human rights. In 2003, for example, it set the targets that at least 50,000 internally displaced persons would be repatriated and resettled and 200 primary schools rehabilitated. A Truth and Reconciliation Commission (2002–2004) was established to help people understand the causes of the war, a key measure for justice and peace-building.

The National Recovery Strategy was followed by an interim and then, in 2005, a full Poverty Reduction Strategy Paper, which defined the country’s transition out of conflict towards long-term recovery. These strategies helped to bridge emergency humanitarian assistance and support for economic development by giving priority to food security, job creation and good governance.

Sierra Leone’s second Poverty Reduction Strategy, the Agenda for Change (2008–2012), emphasised the importance of state-building, creating national institutions to serve the people. It also prioritised infrastructure investment and agricultural productivity. The Agenda for Change was developed in an optimistic period, after a fair and free election, demonstrating Sierra Leoneans’ shared commitment to building a democratic, prosperous and tolerant nation.

The recently launched Agenda for Prosperity (2013–2018) is the third national development strategy. It identifies the foundations required for Sierra Leone to become a middle-income country by 2035, through sustainable and inclusive growth at average rates of 7% per year. This ambitious vision requires a structural transformation from dependence on primary products to an economy that is active in...
Table 1: Development in Sierra Leone (Level 1)

Table 1 summarises Sierra Leone’s development progress between 2005 and 2014. The indicators of the One Bank Results Measurement Framework have been complemented by country-specific indicators to capture areas in which AfDB provides support and advice. For each indicator, we compare Sierra Leone’s progress with that of its peer group of African countries in fragile situation, as follows:

- Progress is strong and better than that of peers
- Progress is positive but less than that of peers
- Regression against the baseline
- Data are not available to measure progress

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>SIERRA LEONE</th>
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**TRANSITION TO ECONOMIC GROWTH AND DIVERSIFICATION**

- GDP per capita (US$) 318 538 512 607 536
- GDP growth (%) 4.3 6.0 5.2 6.0 6.0
- Poverty ratio (%) 66 53 58 57 45
- Income inequality (Gini) 39 35 41 41 41
- Agriculture, value added per worker (constant 2005 US$) 665 927 599 629 402

**BUILDING TRANSPARENT AND ROBUST GOVERNANCE**

- Tax revenue over GDP (%) 8 11 10 12 14
- Natural resource governance score (0-100) .. 45.7 .. 44.3 45.0
- Corruption perceptions index (0-100, 0-corrupt) 24 30 22 23 29
- Mo Ibrahim governance index (0-100) 46 51 36 38 48
- CPIA – economic governance (1-6) 2.9 3.4 2.4 2.7 3.3

**BUILDING STABLE ECONOMIC FOUNDATIONS AND A COMPETITIVE ECONOMY**

- Infrastructure – Energy: Access to electricity (%) 9 14 19 26 26
- Infrastructure – Transport: Paved road (%) 8 9 9 9 9
- Infrastructure – ICT: Internet users (per 100 people) 0.2 2.1 1.3 9.2 10.9
- Doing Business ranking (out of 189 economies) .. 140 .. 168 152
- Time required for business start-up (days) 26 12 69 30 20
- Cost of business start-up (% GNI per capita) 983 38 287 65 58
- Depositors with commercial banks (per 1000 adults) 61 137 81 92 137

**INCLUSIVE SOCIAL DEVELOPMENT**

- Health – Under-5 mortality rate (per 1000 live births) 202 161 136 106 85
- Maternal mortality ratio (per 100,000 live births) 1600 1100 840 666 512
- Life expectancy (years) 42 46 51 54 58
- Education – primary completion rate (%) .. 71 47 59 79
- Access to improved sources of water (% of population with access) 52 60 57 58 61
- Access to improved sanitation (% of population with access) 12 13 24 26 25

**TRANSITION TO GREEN GROWTH**

- Institutional capacity for environmental sustainability (CPIA) 2.5 3.5 2.4 2.7 3.2
Development Effectiveness Review 2015 – Sierra Leone Country Review

Inclusive growth through diversification
Over the last decade, Sierra Leone’s economic growth rates have been significantly higher than those of other fragile states; indeed, they have consistently exceeded average growth across Africa. In the 10 years to 2014, Sierra Leone’s ➥ GDP growth1 averaged 8%, compared to average rates of 5.2% to 6% in other fragile states. Over the same period, Sierra Leone’s ➥ GDP per capita rose from $318 to $538, converging rapidly with the fragile states average of $607, which remained static over the period.

The key driver of economic growth in Sierra Leone continues to be minerals. Sierra Leone’s mineral resources include iron ore, bauxite, gold, rutile (titanium oxide) and rare earth elements, with both artisanal and industrial production of gold and diamonds. Because of strong global demand, the share of mining in GDP reached 21% in 2013, up from 3% in 2009, with the three main mineral exports (iron ore, rutile and diamonds) reaching $900 million in 2014.

Increased industrial gold production and, potentially, offshore oil and gas could in principle provide Sierra Leone with the resources to become a middle-income country. However, excessive reliance on mineral exports also leaves the country vulnerable to volatility in global prices — especially since domestic processing and manufacturing industries remain underdeveloped, leaving Sierra

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1 A green bullet indicates that progress is strong and better than peers.
Sierra Leone is transitioning out of fragility

After 13 years of peace and political stability, Sierra Leone is widely considered one of the success stories around the globe among states emerging from conflict. It has also emerged as a leader among the g7+ group of countries, who are helping to set the agenda for more effective development cooperation for fragile states.

In 2011, at the High Level Forum for Aid Effectiveness in Busan, a group of states and development partners endorsed the “New Deal for Engagement in Fragile States”. The New Deal stresses the importance of country leadership in forging solutions to conflict and fragility. Sierra Leone has been active through the g7+ in piloting the New Deal principles and providing peer support to other fragile states. It is also an active member of the UN Peacebuilding Commission.

As part of the New Deal, development partners agreed to:

- Use the Peace-building and State-building Goals (PSGs) as an important foundation to enable progress towards the Millennium Development Goals in fragile and conflict-affected states.
- Focus on new ways of engaging, to support inclusive country-led and country-owned transitions out of fragility based on a country-led fragility assessment.
- Use the PSGs to monitor progress and support inclusive and participatory political dialogue.
- Build mutual trust by providing aid and managing resources more effectively and aligning these resources for results.
- Enhance transparency and risk management to use country systems, strengthen national capacities, and improve the speed and predictability of funding to achieve better results.

Consistent with the New Deal approach, Sierra Leone’s Agenda for Prosperity represents the country’s single vision and single plan for peace-building and state-building, to guide both national efforts and international support. It is the basis for cooperation between development partners and the Government, with a mutual accountability framework that is regularly monitored. Sierra Leone is also using broad consultations to ensure that the voice of Sierra Leoneans is heard.

Unemployment in Sierra Leone remains a significant concern, particularly in Freetown (where approximately 20% of the population live) and the larger provincial towns of Bo, Kenema, Koido Town and Makeni. Many people who sought safety in the towns during the conflict now find themselves living in urban slums, unskilled and with few employment prospects. Addressing urban employment is critical to increasing resilience, as highlighted by the 2013 High Level Panel report on fragile states.

In rural areas, low agricultural production is the key challenge. Although Sierra Leone has an abundance of fertile land, three-quarters of which is suitable for crop production, barely a tenth is cultivated, mostly at subsistence level. Given limited irrigation and farmers’ poor access to inputs and markets, agricultural productivity is low and there is very limited processing of primary products, so that rural Sierra Leoneans have few opportunities to escape from poverty. **Agriculture value added per worker** has increased very slowly over the last 10 years, from $665 in 2005 to $927 in 2014. Although the production of rice, the country’s most important staple crop, has more than doubled, the country is importing increasing volumes of grain, as consumption outstrips production.

At present the Ebola crisis is causing significant disruption to agricultural production and food security. The 2014 July-August planting season, when many households exchange cash crops for food and other items, was severely disrupted by restrictions on movement, with substantial effects on household income. Since then, internal and external travel restrictions and the closure of food markets have led to shortages in supply and increased food prices. The depreciation of the local currency has added to inflationary pressures.

Since agriculture contributes most to the economy, increases in agricultural productivity may offer the most direct method of transforming the livelihoods of most Sierra Leonean households. Both farmers and entrepreneurs would benefit from greater commercialisation of agriculture and the development of higher-value-added agricultural products – both of which are central to the Government’s Agenda for Prosperity.
The poverty headcount ratio has fallen from 66% in 2003 to 53% in 2011. While this is an important result, the progress was concentrated mainly in urban areas; most rural areas still face pervasive poverty (see Figure 1.1). The growing gap between urban and rural poverty rates is one major driver of inequality. Another is the gap between generations. With only 5% of the workforce in formal employment, young people have little chance of securing formal employment, and they account for 70% of the unemployed. Besides wasting an important resource for the economy, high levels of unemployment and underemployment, especially for the young, could become a source of social instability in the future.

When economic growth is driven primarily by mineral exports, it creates few employment opportunities and therefore has limited impact on poverty. Income inequality in Sierra Leone, as measured by the Gini coefficient, has decreased from 39 to 35 over the last decade, but is still high compared to most African countries.

Building transparent and robust governance
Sierra Leone is one of the original pilot countries for the “New Deal for Engagement in Fragile States” (see Box 1.1). The New Deal has state-building at its core, highlighting the need to create legitimate national institutions able to deliver to citizens. It helps countries focus on their progress towards five Peace-building and State-building Goals and promotes new ways of supporting inclusive, country-led transitions out of fragility (see Figure 1.2). Sierra Leone has been piloting the application of these principles, including the fragility assessment tool, with considerable success. In March 2014, the United Nations formally changed its representation in Sierra Leone from a peace-keeping to a development mission – a key milestone in the path out of conflict and fragility.

Addressing corruption is a key part of peace-building, state-building and restarting economic growth. After the 2007 election, the Government of Sierra Leone strengthened the Anti-Corruption Act to promote greater integrity in public institutions and improve service delivery. This measure, together with the Extractive Industries Transparency Initiative (EITI), enabled Sierra Leone to improve its ranking on the Corruption Perceptions Index, from 24 to 30 on a scale of 0 to 100, above the average score of comparable countries in fragile situations. However, corruption remains a serious problem that will take many years to address.

Sierra Leone also shows solid improvement in broader governance indicators. On the composite Mo Ibrahim index, it has moved from 46 to 51, ranking 25th out of 52 African countries. In particular, Sierra Leone has made a notable improvement in the “safety and rule of law” element of the index. It has also shown some encouraging progress in economic governance on the AfDB’s Country Policy and Institutional Assessment (CPIA). However, state and institutional capacity still remains weak and would require sustained reforms to reach the levels of middle-income countries.

Figure 1.3 Sierra Leone is an average performer in managing its natural resources compared to other African countries

The governance of natural resources is crucial to Sierra Leone’s development prospects. The export of minerals drives Sierra Leone’s economic growth, and the resulting revenues from royalties, pay-as-you-earn, licenses and taxes could transform its public services. In 2011, the minerals sector contributed just 11% of public finances, well below its potential; but in 2014 it contributed 20% of public finances – one-fifth of total revenue (see Figure 1.3 and 1.4). Sierra Leone’s natural resource governance score stood at 45.7%.
which is towards the middle of resource-rich African countries, but with considerable scope for improvement. Governance of the minerals sector remains a key issue; ensuring that future revenues are handled fairly and transparently is key to maintaining Sierra Leone’s political stability.

Some important reforms are now under way to improve the governance of natural resources. In 2012, a National Mineral Agency was created to provide geological compliance and regulatory services and establish an effective licensing scheme. The Government has raised royalties on diamond exports and signed new contracts for the exploration of iron ore that will increase its revenues in the future. In April 2014, Sierra Leone became compliant with the EITI – a substantial achievement that should deliver benefits for the population at large. The Bank contributed by funding the reconciliation exercises.

Since the war Sierra Leone has made remarkable progress in consolidating its democracy, with three successful elections and, in 2007, the peaceful transfer of political power at presidential, parliamentary and local levels. In this respect, Sierra Leone is a good example of a successful transition from fragility to democratic government.

Building a stable economic foundations and a competitive economy
Sierra Leone emerged from the conflict with a huge infrastructure deficit caused by physical destruction and long neglect of capital investment. Restoring essential transport, energy and communications services is essential to promoting private investment and creating economic opportunities for the population at large. The Government has made infrastructure investment a major priority, but still has a long way to go to close the gap.

Sierra Leone had an average Africa Infrastructure Development Index of 7.4 for 2009–11, which is less than half of Africa’s average of 14.8 for that period. Sierra Leone’s road density is low, and only 9% of the road network is paved; half of the rural roads are in poor condition. This is a major barrier to the commercialisation of agriculture, and also inhibits rural communities from accessing schools and health facilities. There are also major gaps in regional infrastructure such as the Trans-West African Coastal Highway.

The infrastructure deficit calls for careful prioritisation of investments, with traditional aid supplemented by private sector finance and funds from emerging donors. Foreign direct investment has increased in recent years in the mining sector, reaching $740 million in 2012, and has also helped to finance communications infrastructure. However, during the past year the Ebola epidemic has stalled foreign direct investment. The development of regional transport corridors, which is part of a broader Economic Community of West Africa (ECOWAS) regional plan, will help to encourage trade by providing access to a larger common market for firms across the region, so they can develop economies of scale and become more competitive.

Along with better infrastructure services, Sierra Leone needs a business climate that is conducive to private sector activity. The country has already made some important progress; in 2014, it was listed among the top 10 improvers in Africa by the World Bank’s Doing Business survey. It is now ranked 140th out of 189 countries — higher than other countries in the Manu River Union (see Figure 1.5) — on the Ease of Doing Business index. The time required for starting a business fell from 26 days in 2005 to just 12 in 2014, and the cost of starting a business fell dramatically by 96% from 2005 to 2014.

Another key area for producers and traders is access to finance. Sierra Leone’s financial system remains fairly rudimentary, with
only 15% of people enjoying access to financial services. However, financial institutions are expanding their reach, drawing on new business models and technologies, such as telebanking, from across the region. **Depositors with commercial banks** are increasing from 6.1% to 13.7% among adults past 10 years. There are currently 13 commercial banks, of which 6 are Nigerian-owned, which is one of the drivers of regional integration in the financial sector. However, financial sector regulation remains a challenge: two state-owned banks faced a liquidity crisis and had to be recapitalised. The Central Bank’s Financial Sector Development Plan (2009), which the Bank is helping to implement, needs to be reviewed and updated.

**From reconstruction to inclusive social development**

The last few years have seen major improvements in Sierra Leoneans’ access to health and education. The war left the country’s education and health services in tatters, so that Sierra Leone was at the very bottom of the human development index (see Figure 1.6), with life expectancy of less than 40 years.

**Before the renovations of the maternity ward, the building was congested and lacked enough space. This is a problem in peak season when we have an average delivery of 10 per day**

*Agatha Lahai, Nurse-in-Charge, SECH*

By 2013, the **maternal mortality ratio** (deaths of mothers per 100,000 births) had improved to 1100, compared to 1600 in 2005. Though still well above the average of 666 in other Africa fragile states, this is a major improvement over the end of the war, when Sierra Leone recorded the highest maternal mortality in the world, at 2200. Sierra Leone’s **under-5 child mortality rate** has fallen from 202 to 161 per 1000 live births, still well above the fragile state average of 106. Basic health service provision remains an acute challenge. However, even in difficult circumstances the country has made real progress in tackling tropical diseases such as river blindness, elephantiasis and snail fever.

Under its Agenda for Change, the Government launched a major assault on the country’s poor health indicators by introducing a Free Health Care Initiative for pregnant women, lactating mothers and children under five. Regional cooperation programmes such as ECOWAS Volunteers Program also contributed by providing health worker volunteers.

The share of public spending on health has increased, but remains low at 1.9% of GDP, compared to 2.6% across sub-Saharan Africa. In addition, there are challenges of absorptive capacity in the health sector, as annual allocations are in most instances not fully used. Public spending on social protection is around 4% of GDP and is expected increase under the Agenda for Prosperity, funded through improved domestic resource mobilisation and revenues from the extractive industry, as well as donor contributions. However, the recent Ebola outbreak has overwhelmed an already overburdened health care system. With the available resources necessarily focused on containing the Ebola outbreak, health centres are having difficulty keeping up the provision of other forms of health care, such as malaria treatment. The Government is allocating extra public spending in health and education to implement robust post-Ebola recovery programs.

Over the last decade Sierra Leone has also made progress on other public health initiatives, including tackling waterborne diseases through improved water and sanitation services. Over the past 10 years **access to improved water** has increased from 52% of the population to 60%, whilst **access to improved sanitation** has not significantly increased from 12% to 13%. The progress has been primarily in urban areas, where 38% of Sierra Leoneans live, exacerbating the rural-urban gap. This is a key area for future efforts by the Government to promote social integration.

In education, the primary completion rate stands at a very creditable 71%, which is well above the fragile states average of 59%. However, just two-fifths of children complete secondary school. This
fact, combined with the lack of vocational training facilities, means that most young Sierra Leoneans are poorly equipped for formal employment or entrepreneurship.

**Transition to green growth**

Sierra Leone’s Agenda for Prosperity highlights the importance of promoting green growth. Of central importance is the sustainable management of natural resources for the country’s long-term development. The country is richly endowed with not just minerals but also renewable resources, such as fertile land, water, fisheries and forests. Diamonds, iron ore, gold, bauxite, rutile and offshore oil offer an extraordinary opportunity to address poverty in Sierra Leone. However, if they are to provide more than a short-lived resource boom, they must be managed in a sustainable way.

Mineral wealth can create inequality and social tensions. Sierra Leone is particularly alert to this issue and in 2012 passed the National Minerals Agency Act, putting in place a range of policies and measures to improve natural resource governance. The Act established a National Minerals Agency to provide licensing, geological and regulatory services in a consistent, accountable and transparent manner. The Government is also finalising the Extractive Industry Revenue Act which consolidates all the extractive revenue collection in one legal framework, and is setting up a special unit in the National Revenue Authority to better collect extractive revenue. The country’s institutional capacity for environmental sustainability⁴, one component of the CPIA, has improved from 2.5 in 2005 to 3.5 in 2014 on the scale of 0-6. This highlights the need to strengthen the nation’s capacity to manage pollution and ensure that its natural resources are protected for future generations.

For Sierra Leone, green growth also means investing in sustainable infrastructure development, so that roads, energy infrastructure and new urban settlements are built to last. This will minimise waste and pollution during construction and operation and will reduce maintenance costs for the future. The Government’s 2010 Institutional and Road Sector Reform included making the Road Maintenance Fund an autonomous body and emphasised the need to sustain the road network. Given the country’s infrastructure deficit, there is an opportunity to leapfrog to new, environmentally sound technologies. This will entail higher up-front costs, but it should prove cost-effective over the longer term.

The green growth strategy in the Agenda for Prosperity also includes building resilience to natural disasters and climate change. The rate of deforestation in Sierra Leone is very high because of agriculture and other human activity. The country is vulnerable to floods and storms: four major floods over the last 15 years affected over 220,000 people, at great human and economic cost. Urban slums around the capital Freetown are particularly vulnerable. Besides damaging livelihoods, urban flooding contributes to the spread of cholera, malaria and worm infections, as happened in 2008 during the flooding of Kroo Bay, an urban slum, affecting thousands of people.

In 2012, Sierra Leone ranked 165th out of 177 countries on the Global Adaptation Index. It is now improving its capacity to prepare for disasters by creating disaster management committees at the district and national levels and equipping them to help communities through systems for early warning, risk management and rapid response.

**Promoting gender equality and women’s empowerment**

Women and girls are particularly vulnerable in conflict-affected countries, where they are often subject to sexual and physical violence and have limited access to justice. Sierra Leone has made very slow progress on gender equality; on the Mo Ibrahim gender index, it still ranks behind most ECOWAS countries (see Figure 1.7). However, the Government remains committed to gender equality: Gender is one of the pillars of the Agenda for Prosperity, it is also adequately mainstreamed in all the other pillars.

Men and boys also suffer after violent conflict; more than 70,000 former combatants and more than 200,000 people displaced by conflict have been affected psychologically, often struggling to find employment and reintegrate in their communities. In this context, a lack of economic opportunity and social support can be a driver of political tension and social

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⁴ A red bullet indicate regression against the baseline.
grievance. The Government of Sierra Leone has recognised that creating jobs and livelihoods for both women and men is vital to promoting social cohesion. It is now considering setting up a Women and Youth Fund to support women's economic empowerment and youth entrepreneurship, but this effort is being delayed by the Ebola outbreak.

At present, women participate in the labour market at rates similar to men's. Yet 94% of women are in low-earning and low-skilled jobs, often in agriculture, fisheries or micro-trading activities. In both urban and rural areas, they are largely confined to the informal sector. Only 8% of businesses are owned by women.

The gender balance at primary schools has improved dramatically since the end of the war, with the ratio of girls to boys rising from 82% in 2001 to 100% today. In lower secondary school, however, only 38% of girls graduate successfully, compared to 45% of boys. This gender imbalance is even worse in senior secondary schools and tertiary education.

Women remain underrepresented in political leadership in Sierra Leone, holding just 12% of parliamentary seats and 10% of ministerial posts in 2014 – a slight decline since 2010. However, more than half of the justices in the constitutional court are women.

**Conclusion**

Sierra Leone is known as a success story among states emerging from serious conflict. The UN peace-keeping missions were successfully brought to an end, three free and fair elections have been conducted, and power has been peacefully transferred. Successive governments have shown a strong commitment to peace-building and state-building. They have restored basic services and begun the long process of rebuilding infrastructure. The economy is now steadily growing, and mineral wealth is beginning to generate revenues to invest in national development.

Yet Sierra Leone still faces some daunting challenges. Infrastructure coverage is still extremely limited, particularly outside the major towns. The country is still working to put in place basic social services to improve life expectancy and other human development indicators. Agricultural productivity remains low, and the formal economy generates few opportunities for employment. The Government has taken important steps to put in place sound governance of the minerals sector, but the benefits are still not widespread; additional reform in the sector will be needed to better align with international best practice. To achieve the Agenda for Prosperity vision of becoming a middle-income country by 2035, Sierra Leone needs to achieve a more inclusive pattern of growth, enabling more Sierra Leoneans to lift themselves out of poverty. The country also needs to significantly improve its human development capacity by investing strategically in education, health and social protection.

These challenges have all been compounded by the recent Ebola outbreak, which has exposed the country’s continuing fragility and reversed its growth trajectory from positive to negative. The setback to national development is substantial, and returning to pre-Ebola levels will require robust recovery interventions, as set out in the Government’s post-Ebola recovery strategy.

The Bank will continue its strong support for Sierra Leone, to help the country overcome the crisis and return to the path of inclusive and sustainable growth. In the next chapter, we look at how the Bank has contributed to this vision through its investment projects, budget support, capacity building and technical assistance.