SIERRA LEONE

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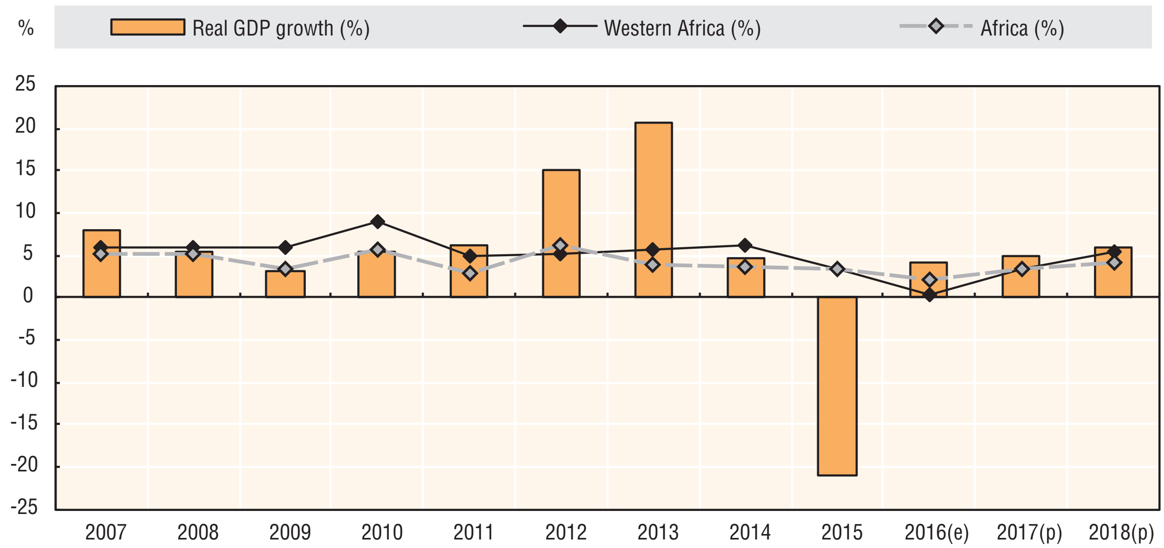
- **The economy recovered from the after effects of the Ebola epidemic, growing by 4.3% in 2016 from -21.1% the year before.**
- **The country has introduced austerity measures in the 2017 budget, and is clearly moving towards a more restrictive trade regime by introducing new tariffs.**
- **To overcome the difficulty of accessing credit for SMEs, the National Strategy for Financial Inclusion (2017-20) was launched in late 2016.**

Overview

Sierra Leone has achieved commendable economic growth rates in the post-war period that peaked at 20.7% in 2013 with the launching of the government's Agenda for Prosperity 2013-18 (A4P). The continued double-digit gross domestic product (GDP) growth resulted from resumption in iron ore production combined with government investment in infrastructure as well as buoyant activities in agriculture, tourism and services. The impressive growth rates were, however, disrupted by the twin-shocks of: i) unprecedented decline in international iron-ore prices starting in late 2013; and ii) the outbreak of Ebola Virus Disease (EVD) in 2014, together culminating in GDP contraction of 21.1% in 2015. Sierra Leone is essentially a supply-constrained mono-cultural economy depending on a few commodities for output and export. Following these shocks, the authorities, in very close partnership with donors and other stakeholders, prioritised the country's immediate strategic interventions in the context of the Post-Ebola Recovery Plan (PERP), which is a refocusing of the A4P as launched in late 2015.

With nominal GDP projected at SLL 22.69 trillion in 2016 (IMF projection of USD 4.289 billion for 2016), Sierra Leone is the 154th economy in the world and 38th in Africa but offering significant business opportunities. The economy is recovering from the twin shocks, and real GDP growth recovered from -21.1% in 2015 to 4.3% in 2016. Much of the recovery comes from the contribution of non-iron ore sectors reflecting improvements in agriculture, construction, electricity and other services. Although there is a modest recovery in iron-ore prices, the impact of the resumption of iron ore mining is yet to become buoyant due to its limited scale.

Figure 1. **Real GDP growth**



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p).

Table 1. **Macroeconomic indicators**

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	-21.1	4.3	5.0	5.9
Real GDP per capital growth	-23.3	2.1	2.9	3.8
CPI inflation	8.1	10.4	10.5	10.0
Budget balance % GDP	-4.4	-4.9	-3.8	-3.3
Current account % GDP	-15.5	-16.6	-16.0	-15.7

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Recent developments and prospects

Sierra Leone is now battling with the adverse impact of two severe exogenous shocks: the after-effects of the Ebola epidemic and the collapse of iron-ore prices in 2014 that culminated in the cessation of its production and exports in April 2015. Real GDP (inclusive of iron ore) shrank by 21.1 in 2015 from positive 4.3% in 2014 and is estimated to have recovered to a positive 4.3% in 2016 and projected at 5.0% and 5.9% in 2017 and 2018 respectively, based on government estimates and projections. Consumer Price Inflation (CPI), which was 8.1% in 2015, is estimated at 10.4% for 2016 but actually reached 15.26% in November 2016, as a result of the revenue measures introduced in the 2017 budget, including removal of fuel subsidies. This is above the target of 9.5% stipulated under the IMF supported Extended Credit Facility (ECF) arrangement. The exchange rate depreciated 20.4% (year on year) as at June 2016, which generated inflationary pressures.

The primary sector (agriculture, including forestry, fishing and hunting) remains the backbone of Sierra Leone's economy, accounting for 61.3% of GDP in 2015. Whilst agriculture has significant poverty-reducing and counter-inflation effects, it is currently composed largely of smallholders in mainly subsistence farming with very limited value added. Domestic production of food crops, especially rice, the staple food, had increased before the EVD crisis but the proportion of food imports is still very high at 34.5% in 2015 (of which 26.8% consists of rice imports).

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Prior to the collapse of the global mineral prices, Sierra Leone witnessed resumption in mining activities (especially iron ore) from 2012, raising the contribution of the industrial sector (mining and quarrying, manufacturing, electricity and water, and construction) to GDP from 8.1% in 2011 to 22% in 2013. This also started a process of structural transformation with factors of production moving from the agricultural sector to mining. This saw people moving from the rural areas to mining areas in search of employment and livelihoods. The contribution of mining and quarrying to GDP increased from 4.3% in 2011 to 19.1% in 2013, making the sector a key source of foreign exchange and royalty payments to the treasury. Much of the growth in mining and quarrying emanated from the resumption of iron ore mining whose contribution to GDP rose from 0.2% in 2011 to 15.4% by 2013. However, the mining sector shrank by 85.3% in 2015 due to the collapse in international commodity prices and EVD. The main sub-sectors, iron ore and diamonds shrank by 96% and 19.1%, respectively in 2015, which, coupled with the drying up of EVD-related inflows, led to a deterioration of international reserves. The recent experience in Sierra Leone shows that dependence on the mining sector is not a good development model because of its vulnerability to volatility world commodity markets. Additionally, the capital and skill-intensive sector makes only limited contribution to job creation and has few backward and forward linkages with the rest of the economy. The manufacturing sector, which has potential for transformative change, contributed 1.8% of GDP in 2015, significantly below the average of 7.7% recorded for comparable African countries. This sector, which is dominated by informal small and medium enterprises (SMEs) using simple technologies, generates very few jobs. The linkages between the manufacturing sector and primary sectors such as agriculture and fisheries are weak. The most binding constraints that continue to limit the growth of the manufacturing sector include weak infrastructure in general, a small domestic market, shortage of skilled workforce, inadequate and unreliable supply of raw materials, high cost of capital, unreliable and costly electricity and weak co-ordination in the sector. There is a need for the government to put in place policies to support a commercially viable manufacturing sector, which can add value to a range of locally produced goods and provide jobs for Sierra Leonean men and women. The government introduced a raft of measures in the 2017 budget to promote the “made in Sierra Leone” brand, including purchasing locally made furniture in all government offices and serving soft drinks made in Sierra Leone in all functions funded by resources from the consolidated revenue fund. These policies are likely to boost the manufacturing sector.

The services sector is the second largest contributor to GDP after agriculture, forestry, fisheries and hunting. In 2015, the services sector (comprising trade and tourism; transport, storage and communication; finance, insurance and real estate; public administration and defence; and other services) accounted for 35.3% of the GDP. The largest sub-sector is wholesale and retail trade (table 2). This is mainly attributable to high levels of urban poverty, urbanisation, migration and the economic development process as the young shift from agriculture in the rural area to low-paying jobs in urban centres.

A principal constraint to high and sustainable inclusive growth in Sierra Leone is the relatively undiversified structure of the economy, with a few sectors dominating. There is a need to diversify into other growth-promoting and employment-creating sectors such as fisheries, tourism and manufacturing. Table 2 below shows GDP by sector between 2011 and 2016.

Table 2. **GDP by sector (percentage of GDP at current prices)**

	2011	2016
Agriculture, forestry, fishing and hunting	56.7	60.9
of which fishing	10.5	12.4
Mining and quarrying	4.3	2.7
of which oil	...	...
Manufacturing	2.3	1.9
Electricity, gas and water	0.2	0.2
Construction	1.3	1.0
Wholesale and retail trade; Repair of vehicles; Household goods; Restaurants and hotels	10.2	9.9
of which hotels and restaurants	0.4	0.4
Transport, storage and communication	5.6	4.2
Finance, real estate and business services	3.2	2.9
Public administration and defence	4.7	6.9
Other services	11.4	9.4
Gross domestic product at basic prices / factor cost	**100.0**	**100.0**

Source: Data from domestic authorities.

Macroeconomic policy

Fiscal policy

The overall fiscal balance (excluding grants) is projected to recover slightly from -9.6% of non-iron ore GDP in 2015 to -8.1% in 2016. Direct external budget support, which was close to 6% of GDP in 2015, is estimated to have declined to 3.1% of GDP in 2016. This implies that budget execution has been more challenging in 2016 compared to 2015. The decline in budget support should be understandable because it reached an unsustainable peak in 2015. To some extent, the receipt of one-time exceptional domestic revenue from Capital Gains Tax (CGT) has helped to lower fiscal pressures in the second half of 2016 but fiscal risks remain high. Total domestic revenue collection amounted to SLL 1.32 trillion, slightly above the IMF programme target of SLL 1.31 trillion for end-June.

The exceptional CGT revenue from the sale of the telecom company Airtel to Orange could affect the tax effort of the National Revenue Authority (NRA) in the second half of 2016. There is also the likelihood that additional revenues from CGT could come from the sale of Sierra Rutile when the deal is closed. The government has taken some austerity measures to address the challenges in the fiscal space brought about by the twin shocks. Overall, it seems the government is taking the necessary steps for a supply-constrained economy albeit with possible negative effects on poverty and public service delivery.

The (2017) budget was presented to Parliament on 11 November 2016 and featured the removal of fuel subsidies, which instantly translated into a 60% increase in the pump prices of petrol and diesel. The budget also contains a number of new taxes and tariffs on imported goods in an effort from government to boost revenue and to foster import substitution and hence economic diversification.

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Table 3. **Public finances (percentage of GDP at current prices)**

	2008	2013	2014	2015	2016(e)	2017(p)	2018(p)
Total revenue and grants	**12.4**	**13.3**	**14.0**	**15.7**	**14.5**	**14.0**	**13.6**
Tax revenue	8.1	8.7	8.2	9.5	10.7	10.8	10.3
Grants	3.5	2.6	4.2	5.4	3.1	2.4	2.6
Total expenditure and net lending (a)	**15.0**	**15.6**	**17.0**	**20.1**	**19.4**	**17.8**	**16.9**
Current expenditure	11.6	10.3	11.7	12.6	12.7	12.9	11.7
Excluding interest	10.0	8.8	10.8	11.7	11.8	10.8	9.8
Wages and salaries	4.5	5.0	6.4	7.4	7.0	6.2	5.6
Interest	1.6	1.4	1.0	0.8	0.9	2.0	1.9
Capital expenditure	3.4	5.4	5.3	7.5	6.7	4.9	5.2
Primary balance	**-1.0**	**-0.9**	**-2.0**	**-3.6**	**-3.9**	**-1.8**	**-1.4**
Overall balance	**-2.7**	**-2.4**	**-3.0**	**-4.4**	**-4.9**	**-3.8**	**-3.3**

Note: a. Only major items are reported.
Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Monetary policy

The Bank of Sierra Leone (BSL) pursued an expansionary monetary policy stance to support real GDP growth during the first half of 2016. However, in the second half of 2016, BSL adopted a tight monetary policy stance supported by fiscal consolidation in order to moderate the pass-through effects of the depreciation of the exchange rate and supply-side factors. The exchange rate depreciated by 20.4% (year-on-year) as at June 2016, which generated inflationary pressures with inflation rising from 8.1% in 2015 to 15.26% in November 2016, which is above the target of 9.5% stipulated under the IMF supported Extended Credit Facility (ECF). Consequently, the Monetary Policy Committee (MPC) increased the Monetary Policy Rate (MPR) in 2016 from 9.5% to 10.5% and further to 11.0% in September 2016. This was mainly to contain the delayed effects of the depreciating exchange rate, increased petroleum prices following the removal of subsidies by government, the stronger enforcement of the Goods and Services Tax (GST), the upward revision of tariffs on utilities and the projected increase in crude oil prices. With implementation of prudent monetary policy, inflation is expected to decline to 10.5% in 2017. BSL has continued with its intervention policy in the foreign exchange market to reduce volatility in the exchange rate.

Credit to the private sector grew by 5.4% in 2014 but growth declined to 3.2% in 2015. It is estimated to have grown by 7.9% in 2016 and growth is projected at 8.3% in 2017 according to government projections, which seems to be on the high side.

Economic co-operation, regional integration and trade

Sierra Leone is an active member of the Economic Community of West African States (ECOWAS) and the Mano River Union (MRU). The government's overriding regional integration objective is to increase trade volumes across borders with neighbouring countries especially the MRU and ECOWAS region. Intra-regional trade is weak across the MRU region and accounts for less than 1% of total trade volumes. This can be augmented by better infrastructure that connects borders and towns across neighbouring countries within the MRU region and by creating free economic zones and trade hubs in strategic border towns. Such support is expected to enhance intra-Africa trade and provide gainful and productive employment opportunities for the young and women. Strengthening regional integration would help in terms of reducing the risks of spillover of conflict and improving cross-border trade. It is worth noting that the country's ranking in trading across borders has not improved dramatically following the Ebola restrictions, as expected previously. In the World Bank report, *Doing Business 2016* rankings, the country is ranked 167th out of 189 in the trading across borders category, which is below its overall ranking of 147th.

Trade restrictions have eased tremendously since the end of the EVD epidemic in early 2016, and continue to subside gradually. The continuing depreciation of the Leone has somewhat helped to increase cross-border trade with Liberia and Guinea which had previously been curtailed due to EVD restrictions that contributed to a reduction in trade of basic food commodities such as rice, palm oil, garri, groundnuts, onions and other essential goods. The Overall Trade Restriction Index (OTRI) for Sierra Leone was 9.1% in 2012. More recent estimates are unavailable to assess how it has evolved over time but it must have regressed during the EVD outbreak. Sierra Leone has an export penetration ratio of 1.5.

The country is, however, moving towards a more restrictive trade regime by introducing new taxes and tariffs as contained in the 2017 budget.

Table 4. **Current account (percentage of GDP at current prices)**

	2008	2013	2014	2015	2016(e)	2017(p)	2018(p)
Trade balance	-8.0	-0.6	-6.8	-18.2	-18.8	-21.0	-21.0
Exports of goods (f.o.b.)	10.8	31.4	26.0	13.8	14.2	13.5	13.1
Imports of goods (f.o.b.)	18.8	31.9	32.8	32.0	33.0	34.5	34.1
Services	-2.5	-9.7	-20.5	-8.1	-7.2	-4.9	-4.5
Factor income	-3.0	-11.3	-7.5	-2.7	-2.9	-2.2	-1.7
Current transfers	4.4	4.1	16.6	13.4	12.3	12.0	11.5
Current account balance	**-9.0**	**-17.4**	**-18.2**	**-15.5**	**-16.6**	**-16.0**	**-15.7**

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Debt policy

National debt is managed by the Ministry of Finance and Economic Development (MOFED) and by the Bank of Sierra Leone (BSL). External public debt as a percentage of non-iron ore GDP is projected to increase from 28.5% in 2015 to 33.7% in 2016 with a GDP per capita of USD 638 for the same year. The risk to debt distress remains moderate under the recent Debt Sustainability Assessment (DSA) jointly conducted by the IMF and World Bank. Sierra Leone's total public debt had declined to a modest 24.9% of GDP in 2014 as a result of the debt relief under the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) at end-2005. Domestic debt is projected to increase from SLL 2.722 trillion in 2015 (or 12.2% of GDP) to SLL 3.614 trillion in 2016 (or 14.4% of GDP). The stock of public and publicly guaranteed external debt is mostly owed to multilateral creditors. External borrowing capacity shrunk in 2015 due to the decline in real GDP, domestic revenue and export earnings. Strong external debt management is required if Sierra Leone is not to be at high risk of debt distress. This effectively means limiting dependence on commercial non-concessional finance. The 2016 debt sustainability assessment conducted by the government of Sierra Leone upheld the main conclusions of the IMF/WB DSA in that the country remains exposed to a moderate risk of debt distress. The government correctly contends that the fragility of Sierra Leone's debt indicators to export and revenue shocks, highlights the urgent need to diversify the export base and embark on a domestic revenue mobilisation drive.

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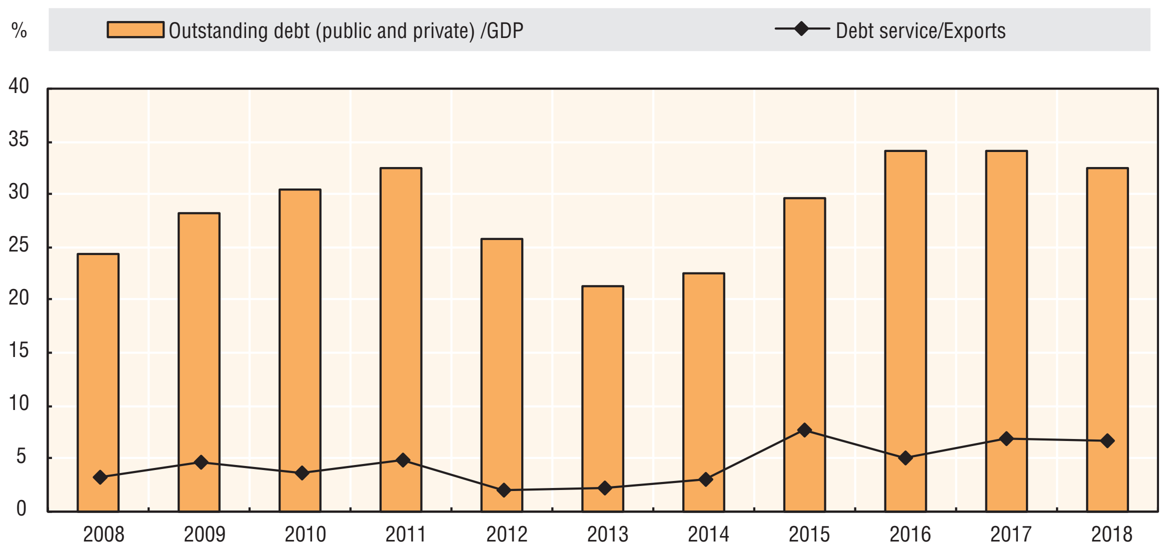
Figure 2. **Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)**



Source: IMF (WEO & Article IV).

Economic and political governance

Private sector

There is easy entry and exit in a relatively competitive environment in the economy of Sierra Leone. According to the World Bank report *Doing Business*, the overall rank has deteriorated from 140th in 2014 to 147th for 2015 and 2016. For 2016, the country is ranked 99th in starting a business down from 91st in 2014. It is ranked 142nd in dealing with construction permits down from 120th in 2014. The rating for obtaining electricity (178th down from 172nd in 2014) is unfavourable and attests to the country's fragility and sizeable infrastructure gap. The country was ranked 137th out of 140 on the Global Competitiveness Index (GCI) for 2015 in the *Global Competitiveness Report 2015-2016* with a GCI value of 3.1. Relatively better rankings were given for some sub-categories such as labour market efficiency (104th) and macroeconomic environment (119th) but poor rankings were given for infrastructure (132nd), and health and primary education (137th). The ranking has improved slightly in the 2016-17 GCI, as the country is ranked 132nd out of 138. The Sierra Leone Investment and Export Promotion Agency (SLIEPA) has been improving over time in terms of capacity to deliver its mandate of promoting investment but it faces several challenges. In the 2017 budget, its funding decreased by 15% from government due to the austerity measures contained in the budget. Given the ranking on the GCI, it is understood that infrastructure deficiencies in Sierra Leone (transport, power, water supply and sanitation) pose a serious threat to effecting sustainable growth and development. There are no restrictions on converting or transferring funds associated with investments, including remittances, earnings, loan repayments, or lease payments. The Local Content Policy, adopted in 2012, promotes the utilisation of locally produced goods and locally provided services, and the employment of Sierra Leonean nationals. While failure to follow the policy previously resulted only in a denial of investment incentives, the Sierra Leone Local Content Agency Act 2016 requires compliance.

The World Bank report, *Doing Business 2016* ranked Sierra Leone 147th out of 189 for ease of doing business and 99th for starting a business. For dealing with construction permits, it is ranked 142nd and for trading across borders it is ranked 164th. The worst ranking is for getting electricity which is 178th. This is a vivid illustration of the infrastructure deficiencies in the country, and as a matter of fact the rankings of all the sub-categories mentioned are worse than those for 2015. In the World Bank report, *Doing Business 2017*, Sierra Leone was ranked 148th out of 190 countries. The only improvement noted is making starting business easier by reducing registration fees, which afforded Sierra Leone a ranking of 87th in this sub-category. The worst rankings are getting electricity (176th), followed by trading across borders (169th), getting credit (157th), and resolving insolvency (148th).

Financial sector

The financial sector is quite shallow in terms of depth, with the absence of a viable stock market and the lack of a sovereign credit rating. This reflects in the low level of domestic credit to the private sector (percentage of GDP), which however slightly improved from 14.7% in 2014 to 14.8% in 2015 and is projected to have reached 7.9% in 2016.

Vulnerabilities in the banking system have increased, in large part, due to the pressures created by Ebola and the iron ore crisis. Non-performing loans (NPLs) have grown significantly, reaching 54% of gross loans for some troubled banks in March 2015, a problem that the BSL is currently addressing as a matter of urgency.

Difficulty of access to and cost of credit have historically been a problem in Sierra Leone and possibly the sub-region characterised by high bank lending rates and a sizeable interest spread. Interest rates for commercial loans in Sierra Leone have been steadily declining from 22% in 2010 to 18% in 2015 as a result of government's recent policy to limit borrowing in the financial market although the spread is still high (14% in 2015) compared to rates applicable in other countries in the West African monetary zone. Access to credit in Sierra Leone is low, especially for the poor rural areas including smallholder farmers and SMEs. In 2016, 87% of the economically active population had no access to financial services but the ratio is likely to go down with the advent of digital (notably mobile) banking in the context of a Financial Inclusion Drive led by BSL. In December 2016, it launched a National Strategy for Financial Inclusion (2017-20) that will guide the process to transform the financial sector to serve the under-served and un-served segments of Sierra Leone and contribute to a more inclusive, resilient and economically vibrant economy.

Public sector management, institutions and reforms

With the informal economy accounting for approximately 60% of the economy as conservatively estimated in 2016, informal employment remains important, persistent and even rising. Thus, the quality of work of poor people holding an informal job has to be improved through the rise of productivity by means of vocational training and education, micro and small enterprise development and access to credit. Moreover, new strategies are needed to extend social security to informal workers and to improve their working conditions. Formal job creation has to be accelerated, exceeding labour force growth. Numerous labour regulations that seek to balance job creation and social protection do exist but remain weakly enforced. The labour market is fairly regulated but the regulations are not always enforced due to the general inadequacy of the legal and justice system.

The main challenge in implementation of the budget is to control the wage bill and non-salary/non-interest recurrent expenditures. The IMF projects a total wage bill of 1 795 billion or 7.0% of GDP in 2016 (about 65.4% of domestic revenues). The actual wage bill for the first half of 2016 amounted to SLL 895 billion which is so far within the programme target. But expenditures on non-salary/non-interest recurrent expenditures (SLL 687.4 billion for end-June) exceeded the target by SLL 144 billion due mainly to higher spending in the social and governance sectors. Domestic capital spending for the same period amounted to SLL 332.3 billion relative to the IMF programme target of SLL 370.5 billion in the first half of 2016. Domestic interest payments amounting to SLL 66.9 billion at end-June 2016.The CPIA rating for Sierra Leone has remained relatively unchanged over recent years. It is to be noted that infrastructure and governance receive low scores, which are below the overall CPIA rating.

Natural resource management and environment

The vast majority of people in Sierra Leone rely on natural resources for their livelihoods. Management of natural resources has links to stability, economic development, rural integration, and improved governance. This is particularly relevant in the context of the country's vulnerability to climate change and disasters, and weak institutional capacities to address these vulnerabilities and foster resilience. Since its establishment in 2008, the Sierra Leone Environmental Protection Agency (EPA) has taken steps to sensitise the public to illegal logging, farming and mining in protected forest areas in order to stem deforestation and maintain biodiversity. A National Protected Area Authority (NPAA) was formed in 2012 to exercise oversight and authority over national parks and protected areas designated for conservation purposes and to promote sustainable land use practices and sustainable environmental management.

In spite of these significant efforts by the government, findings from the 2015 MDG report indicate that targets set under goal 7 were not achieved. Nevertheless, Sierra Leone has articulated a pathway for inclusive green growth and has taken a leadership role among African countries in its commitment to this pathway. The work done in Sierra Leone was show-cased in global and regional fora on Green Growth organised by the OECD and the African Development Bank. For 2016, Sierra Leone's ranking in the Environmental Performance Index (EPI) improved from 173th in 2014 (out of 178 countries) to 162nd position in 2016 (out of 180 countries) with an EPI score of 45.98 and a 10-year change of +16.58%.

Political context

The country continues to enjoy peace and stability but some general election activities and regional political developments could potentially heighten political risks. A multi-tiered election is to take place involving presidential, parliamentary and local government elections in March 2018. The electoral calendar by the National Elections Commission (NEC) comprises boundary delimitations by the end of 2016, updating of voters' register between January and June 2017 and a referendum between September and December 2017. President Ernest Bai Koroma is serving his second and final term of office with roughly one year to run to the crucial 2018 presidential election. Politicians from the two main political parties – the ruling All Peoples Congress (APC) and the main opposition Sierra Leone Peoples Party (SLPP) – continue to jostle for the position of leading their respective parties.

The processes to undo the amalgamation of chiefdoms that were put together during the colonial period are currently underway with a view to promoting good governance, peace, stability and social harmony at the local level. The amalgamation process by the colonial government reduced the number of chiefdoms from 217 to 147 by the time of independence in 1961. Later on, in 1978, two chiefdoms were de-amalgamated by the then Siaka Stevens APC government taking the total number of chiefdoms to 149. When completed the de-amalgamation process will see the proclamation for the separation of some of the amalgamated chiefdoms, the restoration of the Karene District, division of Koinadugu into two districts and the creation of a new province.

As a democracy, the laws affecting economic activity are predictable and impartial, to a reasonable extent. The judiciary is constantly improving albeit from a low base and this enhances the enforcement of new laws. Sierra Leone improved from 59th in 2015 to 43rd position out of 163 countries in 2016 in the Global Peace Index (GPI). The media has substantial freedom notwithstanding the existence of the Libel Law and Public Order Act, which are opposed by most media practitioners.

Social context and human development

Building human resources

Prior to the twin-shocks, the country recorded good performance on the economic growth yardstick but had not translated this into substantial improvement in human development. About 77.5% of the country's population remain trapped in multi-dimensional (non-income) poverty with overlapping deprivations in education, health and other living standards, while 14.6% are at risk of falling back into poverty. These groups often fail to achieve improvements in their standard of living because they have limited political participation, livelihood options and access to basic social services. Even when they escape poverty, their situation may reverse rapidly when crises hit. Sierra Leone has a young population, with 63% of the population below the age of 25 years.

Sierra Leone had made significant gains in human development as measured by the Human Development Index (HDI), which increased from 0.344 in 2005 to 0.413 in 2014 but there is now 41.7% loss in human development due to inequalities in education, health and income. The government of Sierra Leone has made efforts to ensure access to quality education at all levels across the population. According to the Millennium Development Goals (MDG) Report for 2015, significant progress was made in attaining universal primary education (MDG 2) with gross enrolment at 122% in 2013 while the proportion of pupils starting grade 1 who reach the final grade of primary education was 76% in the same period. Literacy rates of 15 to 24-year-olds increased from 48% in 2010 to 69% in 2013 with the rate being higher for males (76%) compared to females (62%). Similarly, prior to the EVD outbreak, health care service delivery had improved significantly due the Free Healthcare Initiative. The maternal mortality ratio declined from 1 600 in 2005 to 1 100 per 100 000 live births in 2013 reflecting improvements in reproductive health. Malaria remains endemic with pregnant women and children under five years being the most vulnerable. More than 40% of outpatient morbidity for all age groups and 37.6% of all hospitalisation is due to malaria. Prevalence of HIV/AIDS among adults (15-49 years), estimated at 1.3% in 2015, is relatively low. This demonstrates a need for specific at-risk-groups measures to prevent new infections and transmissions, including strategies to reduce stigma. It is expected that the post-EVD quick win presidential priority projects in education and health will help rebuild a strong base to achieve the Sustainable Development Goals (SDGs) related to health (SDGs3) and education (SDG4).

Poverty reduction, social protection and labour

According to government official statistics and World Bank Poverty Profile, the poverty incidence in 2011 was 52.9%, compared to 66.4% in 2003. This is less than the multi-dimensional figure of 72.7%, which includes non-income factors. Outside of the capital Freetown, poverty was relatively consistent across the country. Eleven of the thirteen remaining districts had a poverty headcount ratio of between 50% and 62% with the lowest being in Bo district (50.7%) and the highest in Kenema (61.6%). The two exceptions that showed higher poverty levels were Moyamba district with 70.8% and Tonkolili district with 76.4%. The final results of the December 2015 population and housing census which will be released soon will shed more light and update the poverty profile and the poverty figures in general.

The poverty pattern seems to be influenced by certain factors, such as proximity to markets and relatively improved infrastructure. According to the poverty profile, growth between 2003 and 2011 has been generally pro-poor and national inequality levels decreased over the period. The Gini coefficient, calculated for per capita consumption, decreased from 0.39 in 2003 to 0.32 in 2011. Inequality also has substantial geographical variations from a high Gini coefficient of 0.42 in Bombali district to a low 0.21 in Tonkolili. Pro-poor spending is a priority of government in recent budgets under both the Agenda for Prosperity and the Post-Ebola Recovery Strategy.

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The absence of comprehensive empirical data on social protection in Sierra Leone poses significant challenges in making international comparisons or benchmarking. The available data suggest that Sierra Leone spends 0.5% of its GDP on social insurance (pensions) and 3.5% of GDP on social assistance. The EVD crisis was a sharp reminder of the importance of social protection, social cohesion and social safety nets, and as such social protection is one of the seven quick win priorities in the government's Post-Ebola Recovery Strategy.

Sierra Leone has only recently started establishing institutional structures for a formal social insurance scheme under the auspices of the National Commission of Social Action (NaCSA). Meanwhile, under the 2014 Budget, the government allocated SLL 7.6 billion to the Ministry of Social Welfare, Gender and Children's Affairs to support various social protection services including grants to welfare institutions, the Disability Commission, nutrition for 21 Approved Schools and Remand Homes, and social development programmes.

Sierra Leone is a signatory to a number of international conventions on labour including freedom of association, elimination of compulsory labour, and elimination of discrimination. Although the authorities have signed the Convention of the Rights of the Child, more should be done to combat child labour. This remains a real problem in Sierra Leone, with almost half of children aged 14-15 years involved in some form of child labour (27% in urban areas and 57% in rural areas). Light work at age of 13 years, full-time work at the age of 15, and hazardous work at the age 18 are all permitted under the legal framework. Children under the age of 13 are not permitted to work at all.

Gender equality

The government's efforts to close the gender gap have made some progress but considerable disparities still exist. This is reflected in the gender-related human development indicators. Sierra Leone was ranked 181st out of 188 countries in 2014. The Gender Development Index (GDI) is 0.814 in 2014 implying that females enjoy 81.4% of what their male counterparts enjoy. The country's Gender Inequality Index (GII) is 0.650, ranking it 145th out of 155 countries. Despite the notable progress, women continue to suffer from significant inequalities in terms of literacy rates, school enrolment rates, access to land and legal protection. Government has continued to put in place policies and to enact regulations that empower women, including the Safe Abortion Law that was ratified by Parliament in December 2015 and by creating a separate pillar (i.e. pillar 8: Gender Equality and Women's Empowerment) in the Agenda for Prosperity.

Women are especially discriminated against in the area of land tenure based on traditional laws even though they are protected under the common law. Government is now pushing for a unified land tenure system so that rural/urban disparities are eliminated.

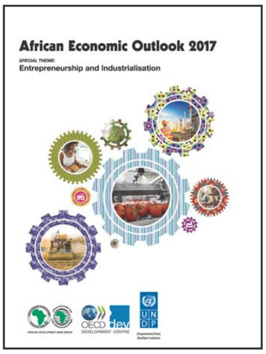
Thematic analysis: Entrepreneurship and industrialisation in Sierra Leone

Since gaining independence in 1961, Sierra Leone has embarked upon several initiatives to spur industrial development with the aim of supporting the country's socio-economic development. Despite these initiatives, the country's industrial sector (which consists of Mining and Quarrying, Manufacturing, Construction and Utilities – electricity and water supply) has been weak and unsustainable. To promote industrialisation, Sierra Leone in recent years adopted several policies, measures and strategies. These include: import substitution strategy, national export strategy, investment policy review, local content policy, etc. As expected, these policies did not transform the industrial sector and as such, the sector's overall contribution to economic development remains relatively low. The Sierra Leone National Industrial Policy, which provides a road map for industrial development in Sierra Leone, was launched in 2010. The goal of the policy is to create and sustain a solid industrial sector, which will be market-led, regionally and globally competitive, environmentally friendly and capable of improving the living standards of Sierra Leoneans by 2030. In 2014, the overall contribution of industry to GDP was 29.7%. Mining contributed about 26.3%, whilst manufacturing, utilities and construction accounted for about 1.6%, 0.4% and 1.5% respectively. The general outlook of Sierra Leone's industrial sector, which is driven by mining, is highly uncertain with downside risks. These are associated with vulnerability to fluctuations in the international prices of the country's principal mining exports especially iron ore and rutile.

The small and medium enterprises (SMEs) sector is recognised as a vibrant and significant sector of the Sierra Leone economy. Its contribution to economic activity as measured by employment and output has grown slightly over the past decade. The contribution of this important sector of the economy to GDP growth has been minimal. Sierra Leone local entrepreneurs consist of various groups, which include established entrepreneurs (educated men and women), female entrepreneurs (predominant in marketing activities in the domestic market), and Indian and Lebanese entrepreneurs. The social culture in Sierra Leone affects the attitude that individuals have towards entrepreneurship, the prospect of selecting entrepreneurship as a career, the desire to succeed and restart after a failure, and the support provided to family and relatives planning to set up a business. In Sierra Leone, very few entrepreneurs have high status in society thus making the career less aspirational. Entrepreneurial culture amongst the youth has been encouraged by the government through the 2003 and 2012 National Youth Policy documents.

Private sector development which is a key priority area of the President's Post-Ebola Recovery Plan (a refocusing of the Agenda for Prosperity) aims to support 1 000 micro, small and medium enterprises (MSMEs) and increase their competitiveness, including agribusinesses, across key value chains. A survey conducted by the Ministry of Trade and Industry in the last quarter of 2016 which targeted 946 SMEs highlighted some of the key barriers to SMEs growth. Access to finance was a key barrier to growth, with 81% of the SMEs confirming this constraint. Other key constraints include access to Business Development Services (52%), to markets (50%) and cost of Doing Business (36%). However, cultural rules, values, attitudes and behaviour are also additional challenges facing potential entrepreneurs. The 2017 Global Entrepreneurship Index (GEI) score for Sierra Leone is 11.4 ranking the country 135th out of 137 countries surveyed.

The Sierra Leone Small and Medium Enterprises Agency Act 2015 aims to create a conducive business environment for SMEs. As mentioned earlier, one of the most prevalent barriers to growth amongst SMEs in Sierra Leone is the difficulty of accessing credit. The aim of the National Strategy for Financial Inclusion (2017-20), developed in 2016, is to ensure that financial services are available, accessible and affordable to all Sierra Leoneans especially MSMEs. This strategy reflects the components of pillar 1 (Diversified Economic Growth) of the government's Agenda for Prosperity (A4P). Though SMEs provide a source of income and livelihood for a large proportion of the Sierra Leonean population, a high percentage of them are informal. Included in the Sierra Leone National Industrial Policy is the Industry Restructuring and Rehabilitation Programme. The programme provides support for the informal sectors to transition into a formal framework. The Business Plan Competition (BPC), later rebranded as the Business Bomba Competition (BBC), is an initiative of the Ministry of Trade and Industry (MTI) of the government of Sierra Leone through the Private Sector Development Strategy Programme (PSDSP). The UK's Department for International Development in Sierra Leone (DFIDSL) and the Soros Economic Development Fund (SEDF) supports this initiative. It aims to stimulate entrepreneurial activity and support entrepreneurs in the process of developing successful businesses in the country. With regard to policy dialogue, the Sierra Leone Business Forum that acts as a platform for public-private dialogue (PPD) between the government of Sierra Leone and the private sector identifies and resolves key constraints facing the private sector. The forum has been effective and successful in assisting the government of Sierra Leone to develop its private sector strategy. Since its establishment in 2007, the Forum has facilitated dialogue on a number of reforms, which has resulted in an improved business environment in Sierra Leone. Further, to improve the business environment, the government of Sierra Leone through the Corporate Affairs Commission has ensured the digital re-registration of 869 companies in its database, which is accessible online. According to the World Bank global *Doing Business* rankings, which measures regulatory quality and efficiency in doing business, Sierra Leone's ranking has improved from 160th in 2008 to 148th in 2016 (out of 190 economies), an upward movement of 12 places. The outlook of entrepreneurship development in Sierra Leone is that it can create large-scale employment opportunities and stimulate wealth creation and distribution, which will lead to improvement in living standards and facilitate overall development in the country. The AfDB is currently preparing a project, which would support SLIEPA to promote domestic investment by entrepreneurs and foreign direct investments.



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