

SIERRA LEONE'S ECONOMIC RECORD 1961-2010

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Outline

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 - 1961-1969
 - 1970-1979
 - 1980 – 1989
 - 1990-1999 –the war period
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Introduction

- The Advanced Policy Dialogue is held at an opportune time in our history.
- It gives us the opportunity to reflect on the past and to chart the way forward
- The country has been through highs and lows
- Highs – in the 60s and 70s
- Lows – 80s and 90s
- Now is the time to address the ills of the past and to set the country on the path to sustainable high economic growth and development.

Introduction cont'd

- Sierra Leone became Africa's first modern state when freed slaves from America, Britain and elsewhere in Africa were resettled in the present day Freetown peninsular from 1787.
- At independence in 1961, Sierra Leone's development prospects looked encouraging.

Introduction (cont'd)

- The country had a renowned educational system;
- A rich and diversified natural resource base comprising diamonds and other minerals;
- Abundant agricultural and marine resources; tourist attractions; and
- A stable inclusive democracy.

1960-1969-First Decade after Independence

- The economy grew by an average of 4.0 percent during the first decade after independence.
- This growth was driven mainly by strong mining and agriculture production.
- Inflation was low
- Strong local currency and stable exchange rate
- Strong export growth
- Foreign reserves position was comfortable.

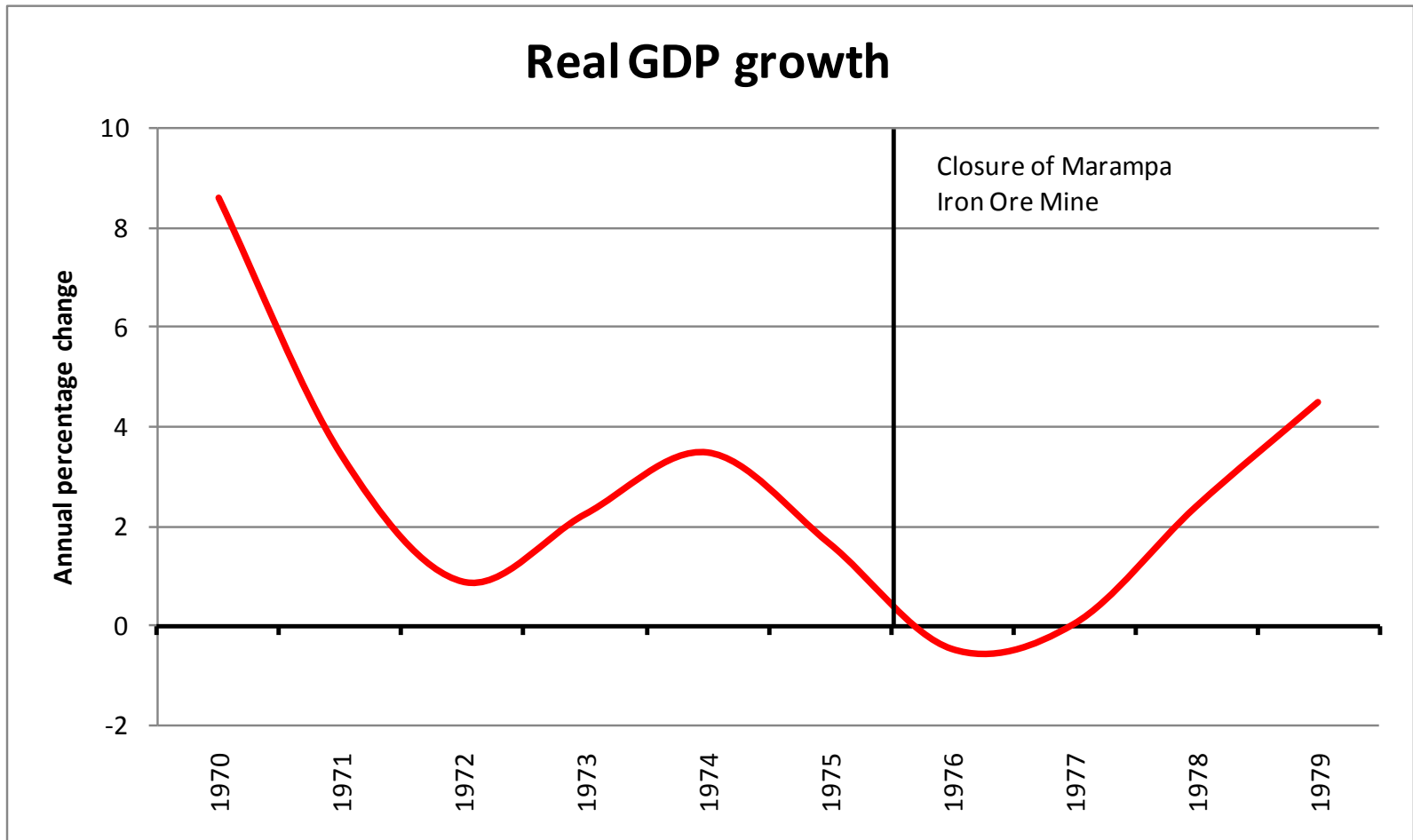
1970-1979

- Strong economic fundamentals continued in the first half of the 1970s.
- Despite the first oil price shock, the economy grew by an average of 3.7 percent during this period.
- Inflationary pressures started but manageable
- Exchange rate stable
- Foreign reserves position was comfortable.

1970-1979 cont'd

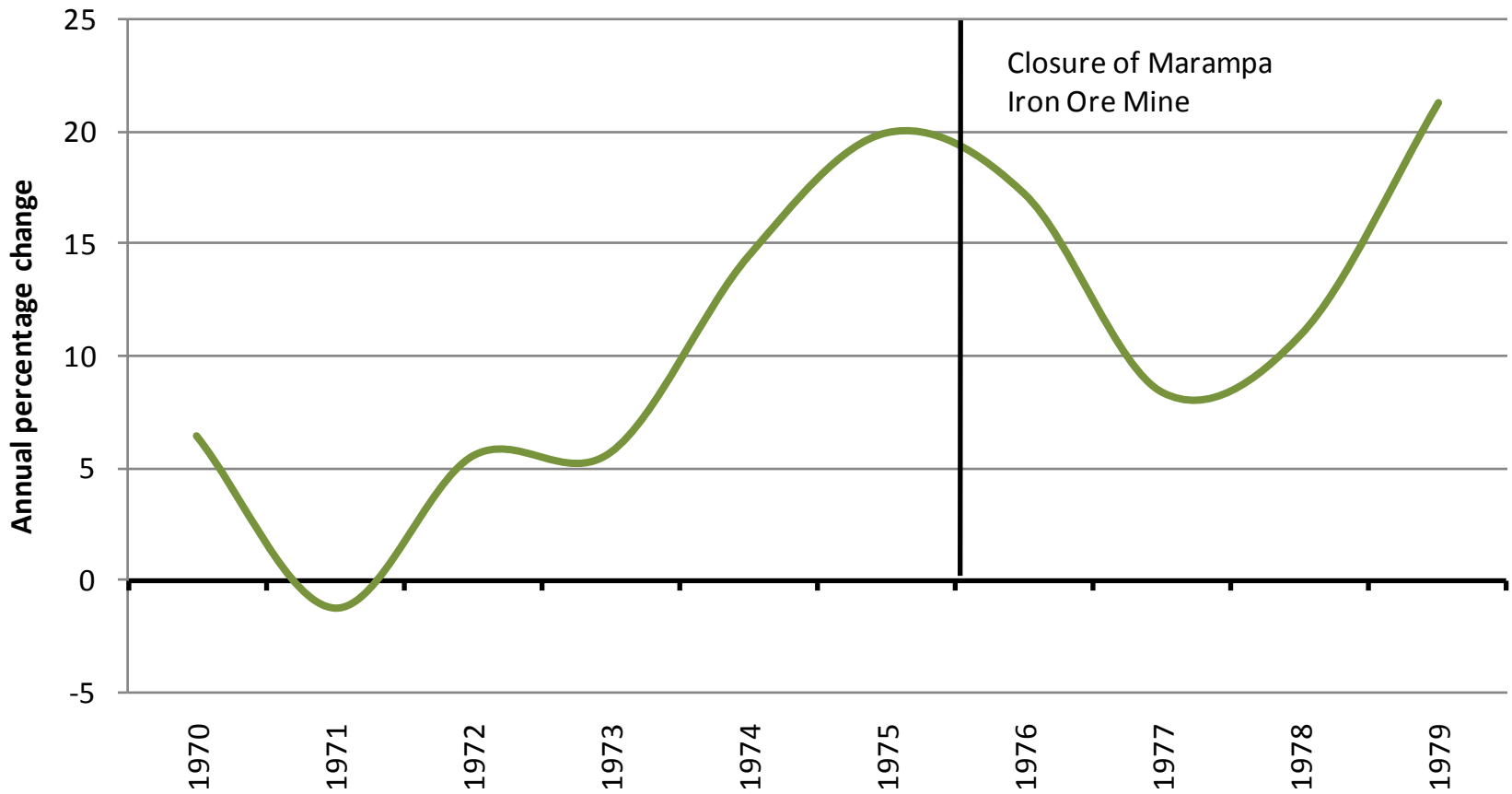
- Economic growth slowed down to an average of 1.6 percent in the second half of the decade.
- This was mainly due to the fall in output in the mining sector following the closure of the Marampa Iron Ore mines.
- Inflation was high but growing at a slower pace.
- Exchange rate depreciated slightly
- Foreign reserves position was still comfortable

Real GDP -1970-1979



1970-1979

Consumer Price Inflation



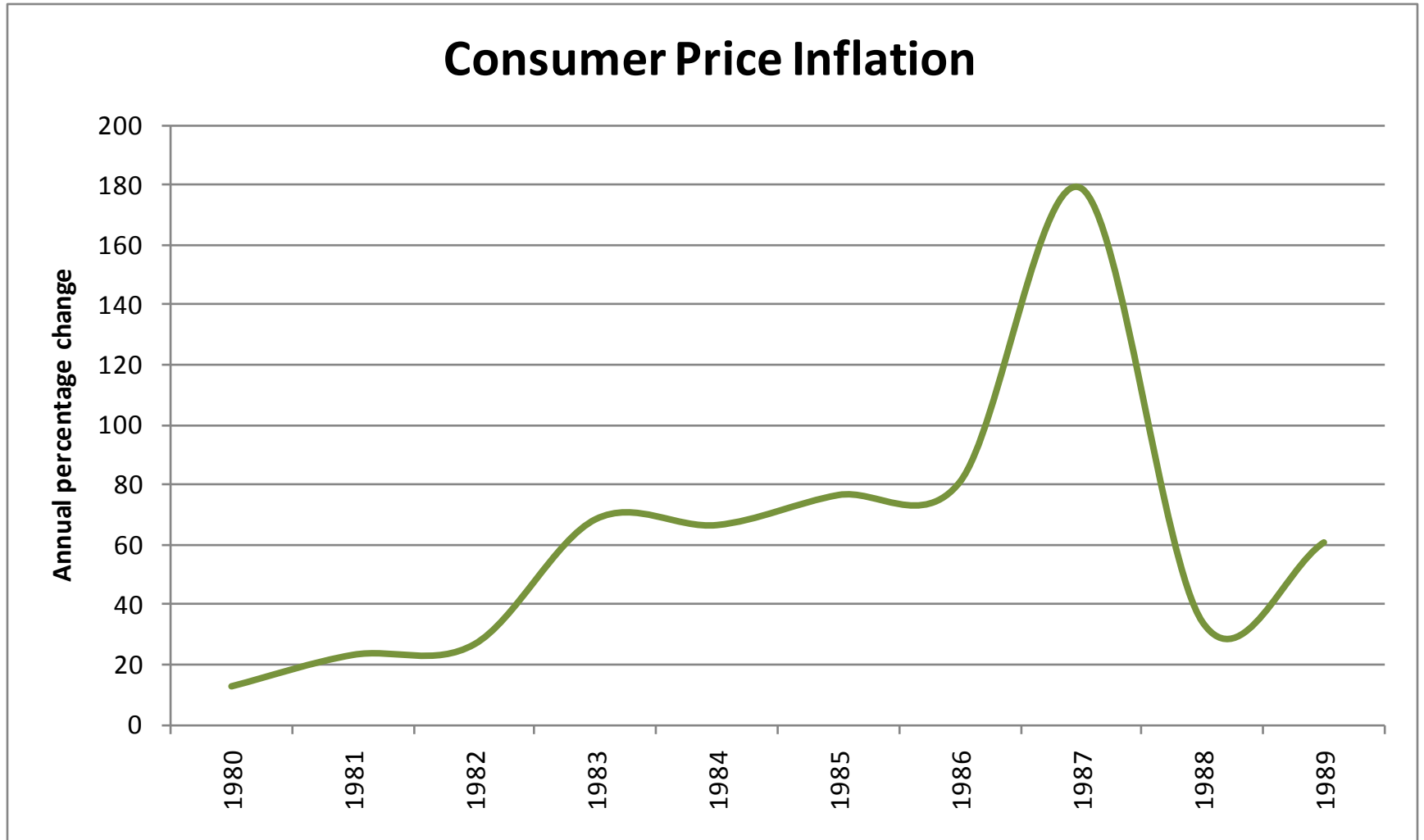
1980-1989

- The Sierra Leone economy declined sharply in the 1980s
- The economy was characterised by severe macroeconomic instability including;
 - declining per capita incomes,
 - high inflation, 180 percent in 1987
 - Low domestic revenue-5% of GDP in 1986
 - weak fiscal and current account positions.

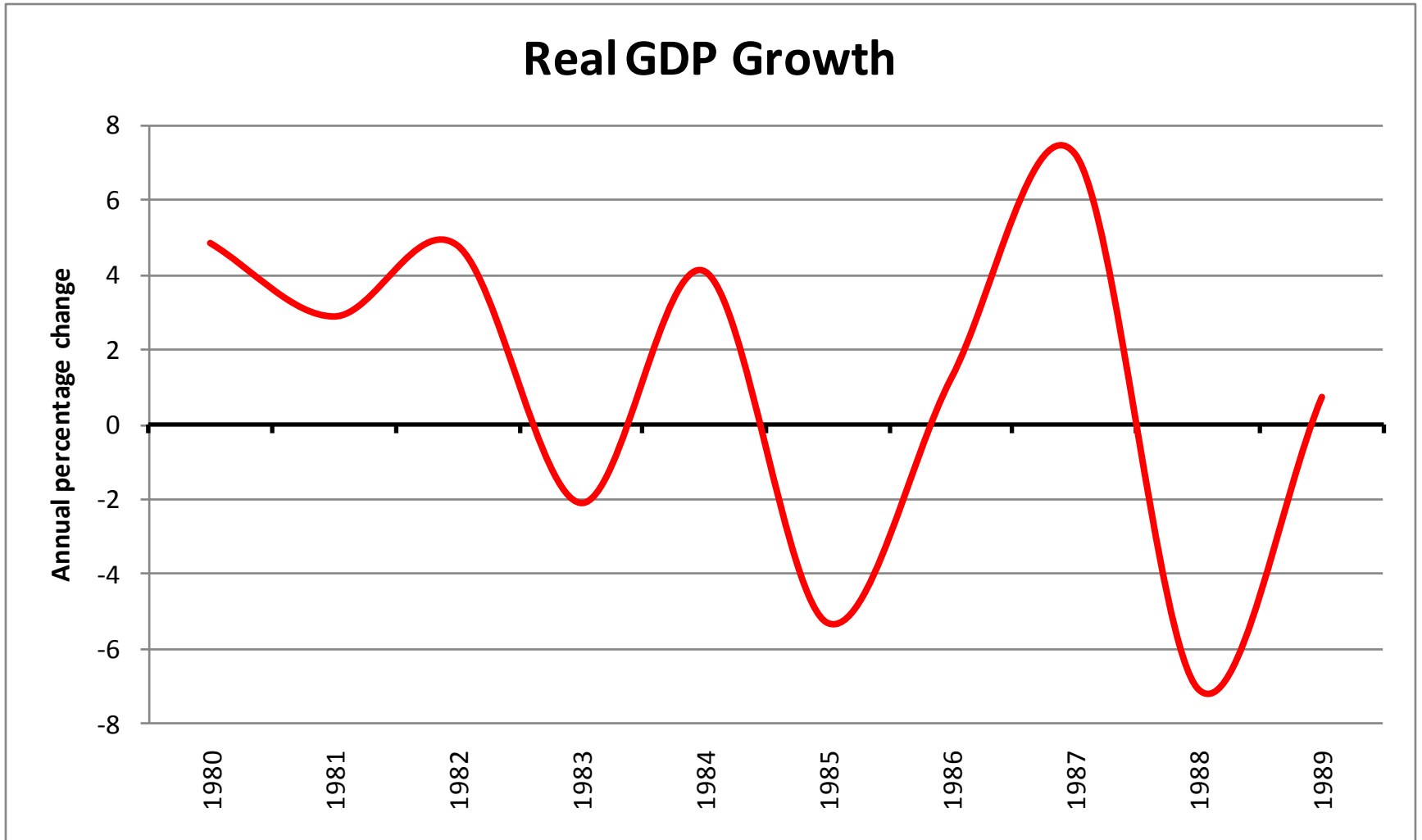
1980-1989 (cont)

- The economy's decline was attributed to adverse external developments exacerbated by inappropriate macroeconomic and fiscal management policies.
- Poverty heightened –about 80 percent of the population was below the poverty line.
- In an effort to reverse the economic decline and address the deteriorating living conditions, Government initiated a comprehensive economic recovery programme in late 1989.

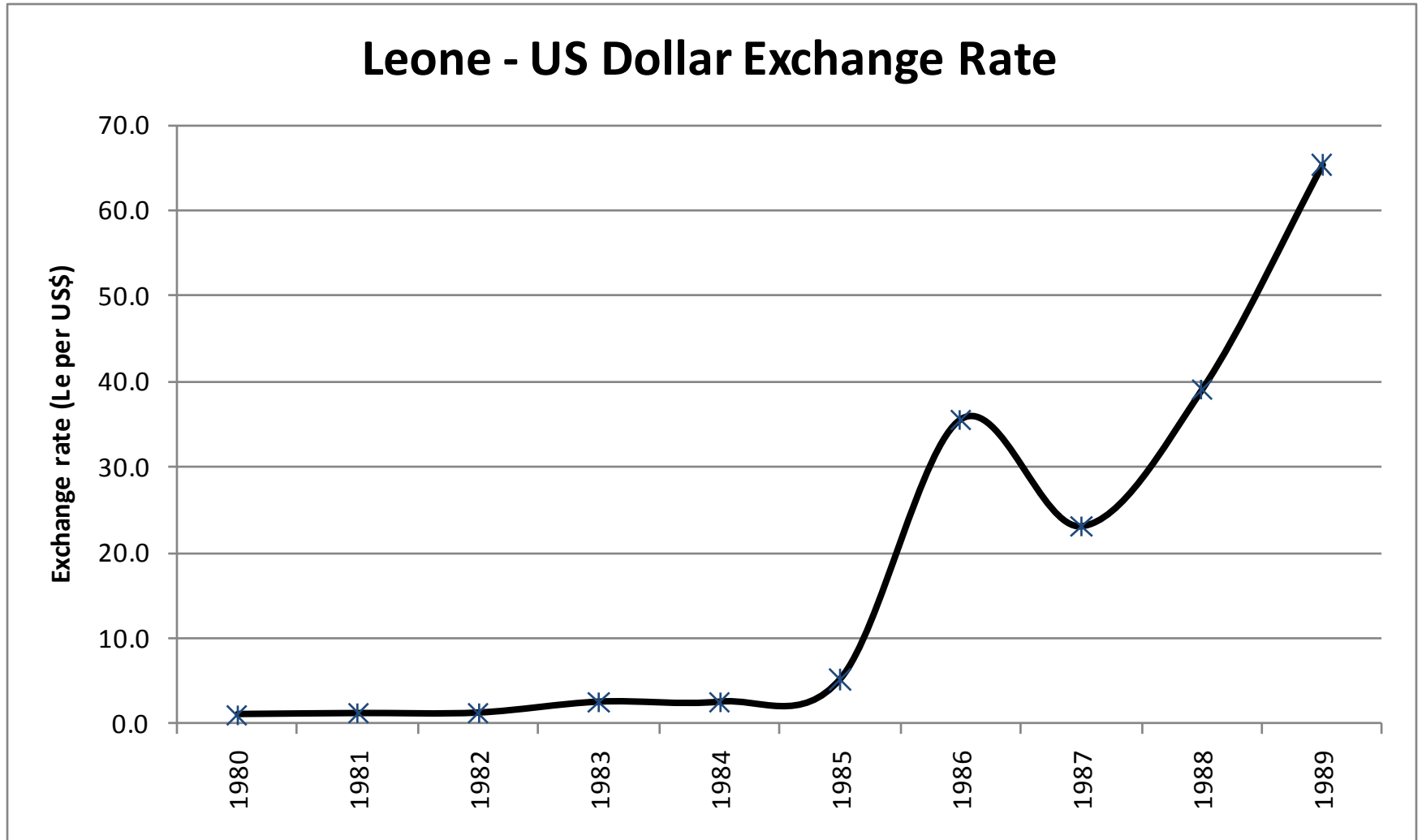
1980-1989 (Cont)



1980-1989 (Cont)



1980-1989 (Cont)



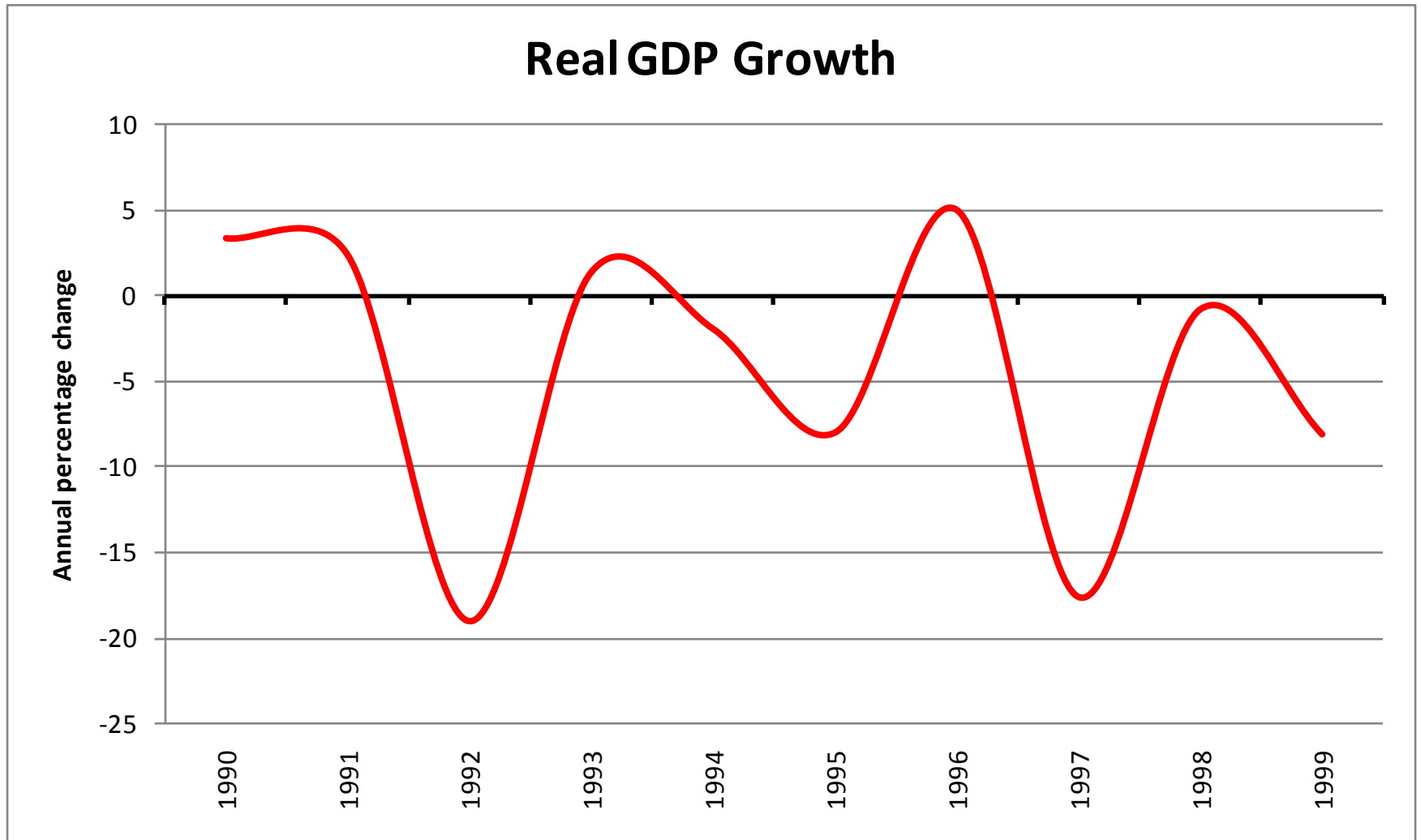
1990-1999-the War Period

- The civil war broke out in March 1991 led by the Revolutionary United Front (RUF).
- The genesis of the war can be attributed to bad governance and economic mismanagement.
- The period 1997-1999 was the most devastating of the war period
- The war destroyed social and physical infrastructures;
- Mining was halted, farms abandoned, manufacturing and services –related sectors disrupted .

1990-1999(Cont'd)

- More than 2 million people, nearly half of the population were displaced.
- As a result, economic activity deteriorated significantly, aggravating the unemployment and poverty situation.
- The economy contracted by 18 percent in 1997, stagnated in 1998 and contracted further by 8.1 percent in 1999.
- During the 1990s, annual GDP declined by 43 percent
- Per capita income declined from US\$192 in 1992 to US\$ 142 in 1999
- Domestic revenues declined to 7% of GDP
- Budget deficit rose to 15 % of GDP
- Social indicators worsened- SL at the bottom of the UN HDI

1990-1999 (Cont)



2000-2010-the post conflict socio-economic reconstruction period

- The signing of the Peace Agreement in Lomé on July 7, 1999 ended the most devastating phase of the civil war in Sierra Leone.
- Since then, Government's efforts focused on (i) addressing the challenges of the transition from war to consolidating peace: resettling the internally displaced and refugees, rehabilitating infrastructure, re-launching the economy, re-establishing state authority; (ii) transition to achieving high sustainable growth and poverty reduction

2000-2010: Post conflict socio-economic reconstruction programmes

- A number of economic reform programmes supported by a number development partners were implemented to support growth prospects and human development.
- Main challenges: restore and sustain macroeconomic stability, improve public service delivery, improve economic/sector governance (PFM), support drivers of growth, facilitate full potential for creating jobs, reducing poverty and improving living standards.
- IMF :
 - Emergency Post Conflict Assistance Facility – 1999-2000
 - First Poverty Reduction and Growth Facility (PRGF-I) - 2001-2006
 - Second Poverty Reduction and Growth Facility (PRGF-II) - 2006-2009
 - Extended Credit Facility – 2010 – 2012-current programme

Other donor supported programmes (Cont'd)

- The World Bank also supported the recovery efforts through a series of Economic Rehabilitation and Recovery Grants and Credits (ERRGs- i-iv) and the Governance Reform and Growth Credits (GRGCs- i & ii)
- The African Development Bank-The Economic Rehabilitation and Recovery Loans and the Economic Governance Reform Programme from the African Development Bank;
- The European Union (EU) and UK-DFID through Poverty Reduction Budget Support;

Other donor supported programmes (Cont'd)

- Arab Funding Agencies including Islamic Development Bank (IDB), the Arab Bank for Economic Development in Africa (BADEA), OPEC Fund, Kuwait Fund;
- bilateral donors including USA, UN Agencies, Japan, China, Germany, Ireland, Italy, Nigeria, etc.

National Development Strategies

- **Interim poverty reduction strategy paper (IPRSP) 2001-02**
 - This addressed the challenges of the transition from war to peace - resettlement of IDPs, disarmament and re-integration of ex-combatants, restoring the delivery of basic services in education, health, kick-starting economic activities

• **National Recovery Strategy (NRS)-2003-04**

- Link between short term emergency interventions and long-term development goals
- Facilitate the restoration of state authority in newly accessible areas;
- Facilitating resettlement and rehabilitation;
- Facilitate resumption of the delivery of basic services to the people;
- Stimulating the resumption of economic activities in the resettled areas and rebuild communities

- **First (Full) Poverty Reduction Strategy Paper (PRSP I)- 2005-07**

- based on three pillars - closely interrelated and mutually reinforcing
 - Promoting good governance, peace and security
 - Pro-poor sustainable growth for food security and job creation
 - Promoting human development

Major Achievements

- The successful implementation of these programmes enabled Sierra Leone to reach the Decision Point Under the Enhanced HIPC Initiative in March 2002. As a result, the country benefitted from Interim debt relief which was used to augment budgetary allocations to key poverty reducing activities.
- Sierra Leone also reached the Completion Point under the HIPC Initiative in May 2006 and benefitted from full debt relief. The country also benefitted from debt relief under the MDRI, which provided fiscal space for poverty reducing activities. This substantially reduces the country's external debt.

- **Second (Full) Poverty Reduction Strategy Paper (PRSP II)**
(Agenda for Change 2008-2012)

- This strategy focused on **four key strategic priorities** aimed at promoting economic growth and development. The strategy supports the transition from post conflict recovery to development
 - Ensuring energy security
 - Developing a national transportation network
 - Enhancing productivity in agriculture
 - Improving human development-health and education

Agenda for Change: Preconditions

- The Agenda for Change also laid out pre-conditions for achieving the above priorities:
 - Improving Economic Governance
 - Good Governance
 - Promoting private Sector Development
 - Effective Management of Natural Resources

Agriculture

- Provision of high yielding variety crops, eg. NERICA and planting materials
- Provision of rice mills, power tillers, tractors, etc
- Development of Inland valley swamps (moyamba, portloko, kambia, Pujehun, keneam and kono)

Agenda for Change

Sectoral Tipping Points (2)

- **Energy and Water Resources (rural electrification/clean water)**
 - The Bumbuna Hydroelectric Project completed and commissioned in December 2009, investment in bumbuna II and mini hydro development being sought; investment in comprehensive T&D .
 - Increased electricity generation from an operational 5 megawatts (2007) in Freetown to over 60 megawatts: 10 mw thermal plant installed at the Kingtom Power station; 17 mw thermal plant installed at Blackhall Road Power Station.
 - A national programme for the electrification of provincial cities and district headquarter towns underway
 - Water supply systems in provincial and district headquarter towns rehabilitated and enhanced. (Pujehun, Mile 91, Yoni Bana, kabala, etc)
 - -Over 200 additional standpipes erected in Freetown

Agenda for Change

Sectoral Tipping Points (3)

- **Transportation (trunk, feeder and township Roads)**
 - Government is transforming the national transportation network by designing and implementing the largest road construction plan in the history of Sierra Leone.
 - New highways have already been completed between Masiaka - Bo, Bo - Kenema, and Makeni - Matotoka, Pamlap and Rogbere is nearing completion;
 - Lumley-Tokeh –works in advanced stage, Wilkinson road nearing completion
 - Kenema-Pendembu and Portloko-Lungi roads contracted
 - Major streets in Freetown and district headquarter towns under reconstruction
 - Over 780 km of feeder roads all over the country are also being rehabilitated

Agenda for Change

Sectoral Tipping Points (4)

- **Health**

- Launched the Free Health Care Initiative for under-five children, pregnant women and lactating mothers.

- **Education**

- Construction of schools all over the country
- Improvement in School completion rate
- A National School Verification Exercises to weed out 'ghost teachers' is underway.

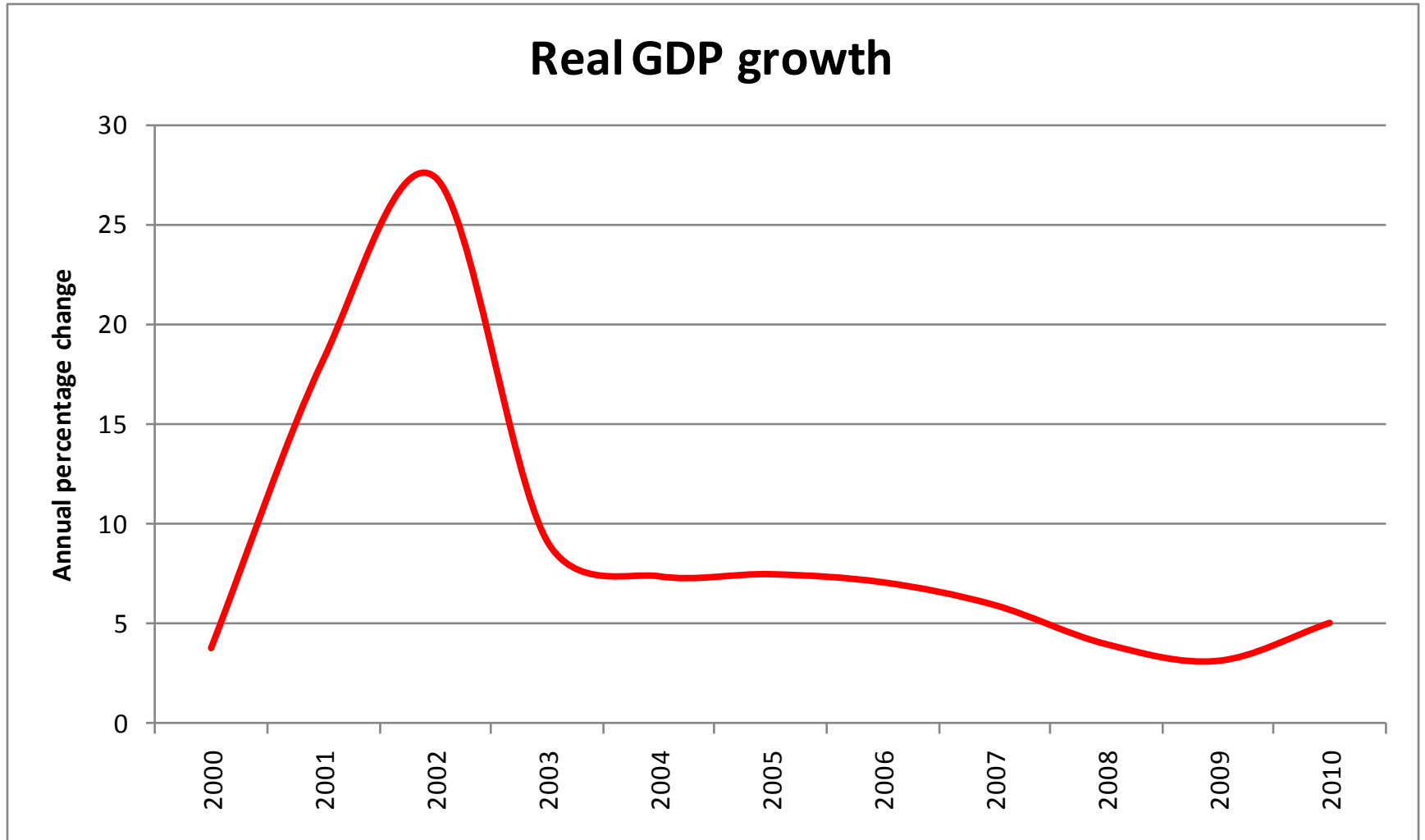
Post Conflict Economic Performance

- The economy recovered strongly in the immediate post conflict period, with real GDP expanding by an average of 16.8 percent during 2000 to 2003. Economic growth averaged 7.1 percent during 2004-07-a return to normal long run growth; economic activity has started to rebound after the international food, oil and financial crisis
- The food, fuel and financial crisis adversely affected the growth of the economy in 2008-09. Real GDP growth slowed down to 5.5 percent in 2008 and further down to 3.2 percent in 2009 but higher than the sub-Saharan average of 2 percent during the same period.
- Economic growth recovered after the crisis. The investments in basic infrastructure combined with the recovery in mining and continued expansion of agriculture and services led the economy to recover strongly in 2010 with real GDP expanding by 5.0 percent

Post conflict economic performance (Cont'd)

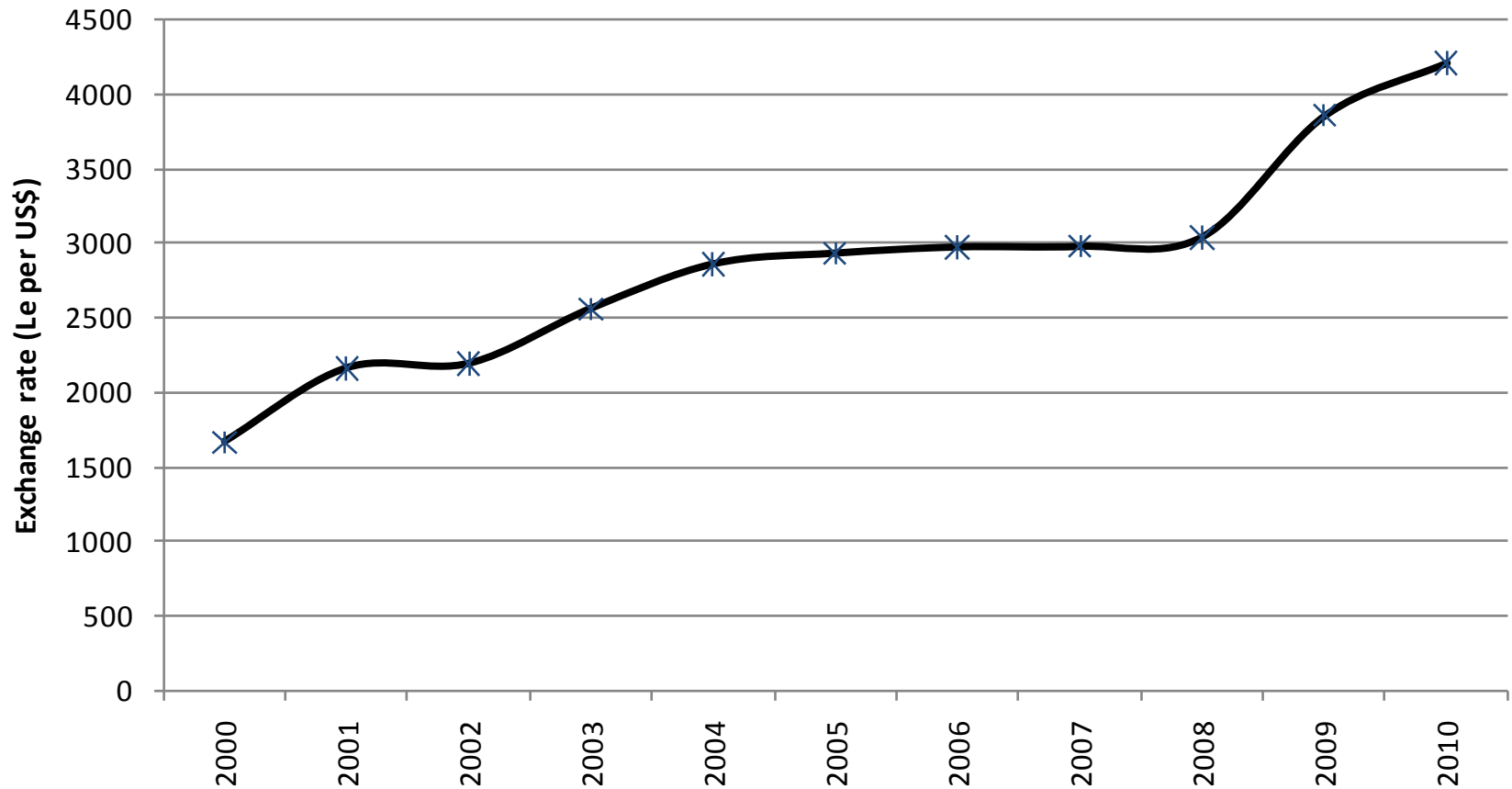
- After remaining relatively stable through most of the period, the exchange rate of the Leone to the US dollar depreciated markedly in 2009 owing to the drop in mineral exports and inward remittances as a result of the global financial and economic crisis.
- Inflation fell sharply, contained at single digits during 2001- 2003. However, inflationary pressures re-emerged in 2004 with inflation reaching 14 percent before declining to 8.3 percent in 2006. Since 2007, inflation has remained in lower double digits due to higher international food and oil prices

2000 - 2010 (cont)

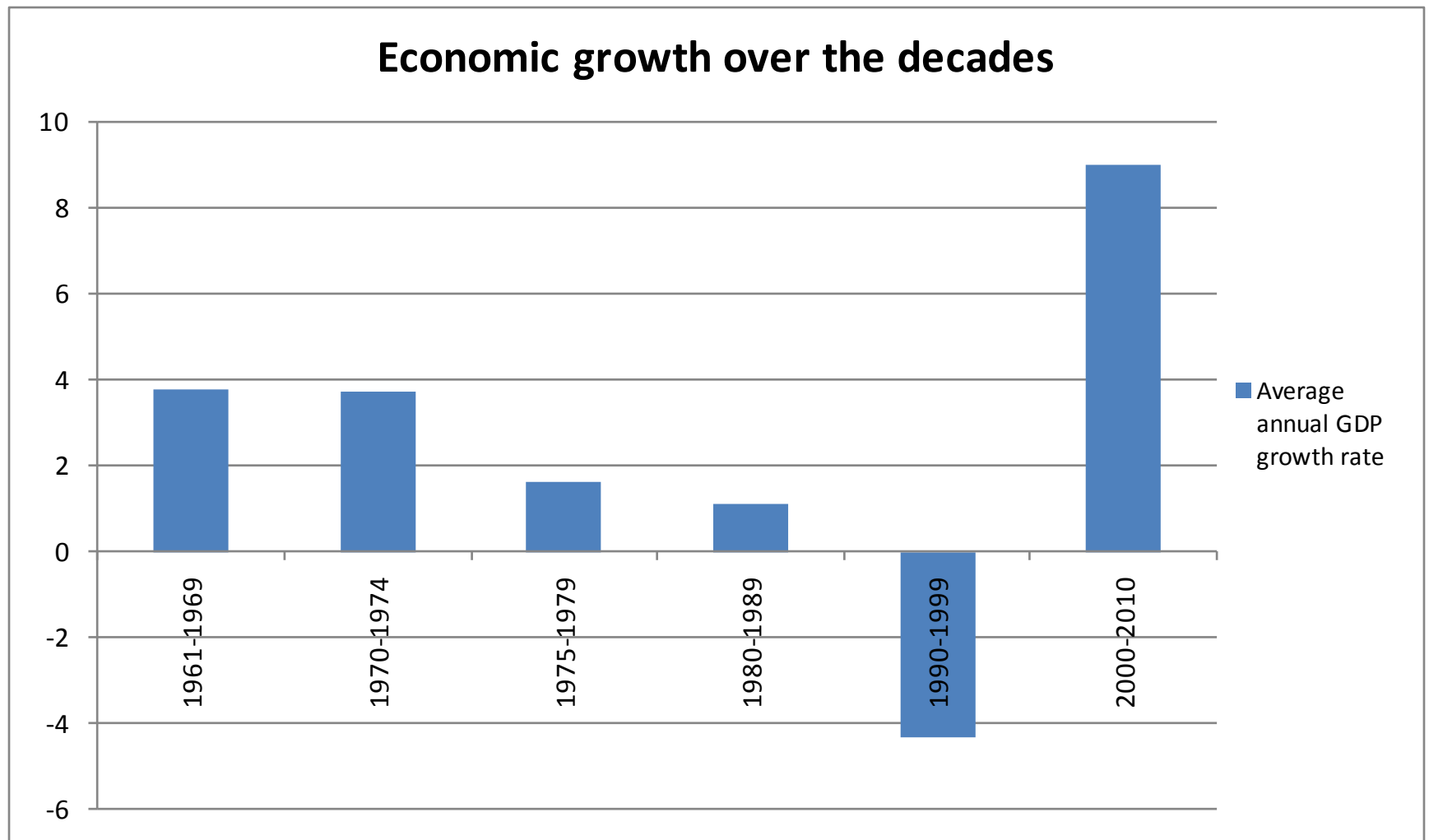


2000 - 2010 (cont)

Leone - US Dollar Exchange Rate

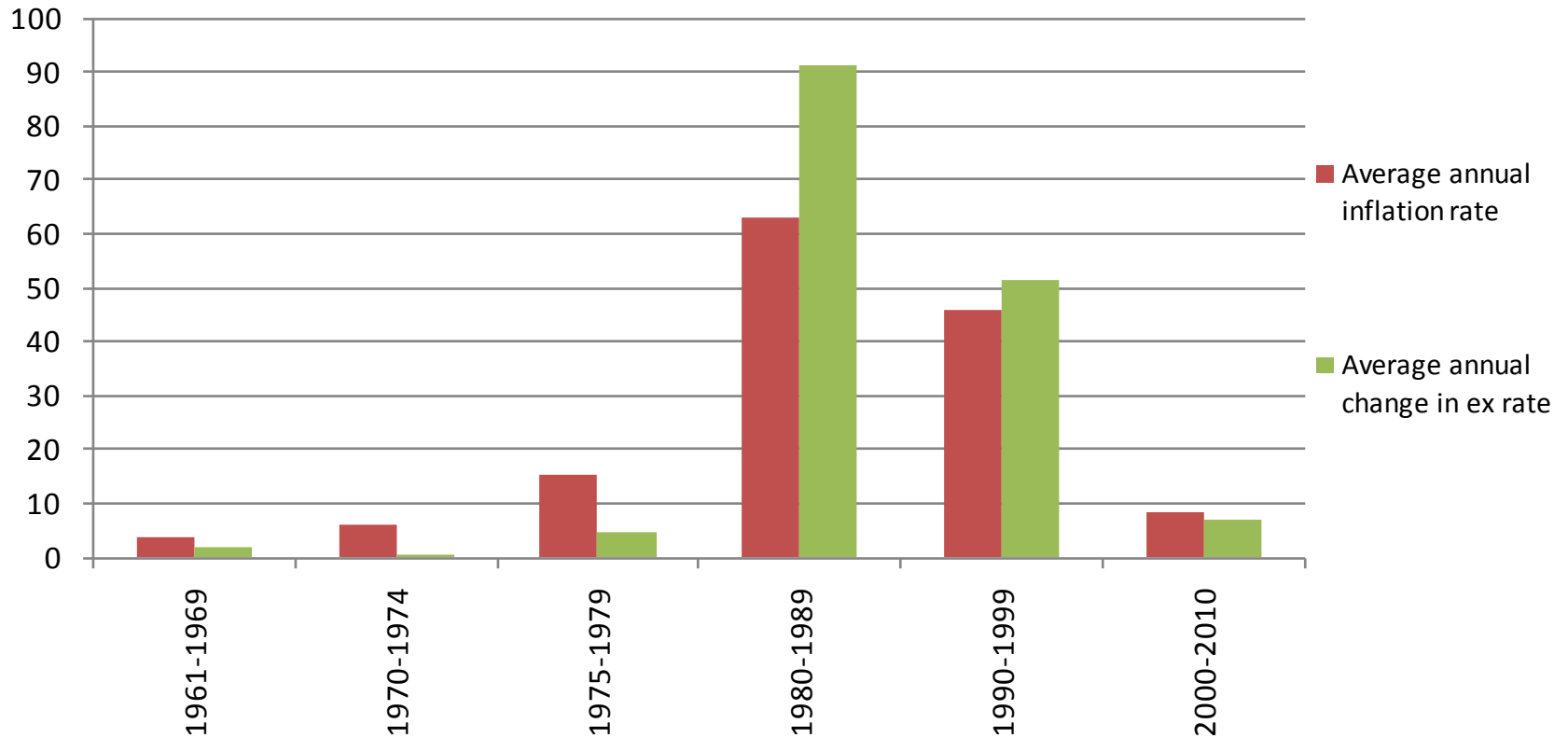


Summary of Economic Performance across the decades



Summary across the decades

Inflation and exchange rate depreciation over the decades



Post Conflict Structural Reforms

Public Financial Management Reforms

- **Strengthening legal framework for PFM**
 - Government Budgeting and Accountability Act (GBAA) developed in 2005 to rectify the weakness of the
 - Public Budgeting and Accounting Act (1992)
 - Public procurement Act (2004) developed
 - Public Procurement regulations-2007
 - Public financial Regulations-2006
 - Financial administration Regulations for Local Councils

Structural Reforms (cont'd)

- **Public Procurement**

- National Public Procurement Authority (NPPA) established in 2005
- Independent Procurement Review panel established to handle procurement complaints
- MDAs prepare annual procurement plans
- Public procurement decentralized -MDAs undertaking procurement consistent with the Act
- The number of contract awarded through competitive bidding increased

Structural Reforms (Cont'd)

- **Strengthening Budget planning and implementation**
 - Medium-Term Expenditure Framework introduced in 2001 to promote strategic planning and budgeting over a three year period, while ensuring the channeling of resources to key priorities.
 - MTEF improves efficiency in the allocation and utilization of resources and enhances transparency and accountability. Key milestones: Preparation of strategic plans by MDAs; ensuring the participation of all stakeholders in budget execution; Civil society involvement in budget planning, establishment District budget oversight committees

Structural Reforms Cont'd)

- **Public Accounting, Recording and Reporting**
 - An Integrated Financial Management Information System (IFMIS) introduced in June 2005 to replace the Financial Management and Accounting System (FMAS). IFMIS facilitates accurate recording, reporting and reconciliation of public financial transactions. The system also has an audit trail. IFMIS has been installed in eleven key MDAs.
 - backlog of public accounts for 2002-2006 cleared.
 - 2010 public accounts prepared and submitted to the audit service on time

Structural Reforms (Cont'd)

- **Internal Audit**

- Over forty functional internal audit units have been established in key MDAs

- **External Audit**

- Audit Service Act (2002)
- Audit of public Accounts is current
- Complete audit of 2009 public accounts and 2010 public accounts being audited
- Auditor-General's Report on Public accounts is now made public immediately it is laid in Parliament (Standing Order 75 clarified)
- Annual Public Expenditure Tracking Surveys (PETS) conducted

Structural Reforms (Cont'd)

- **Financial Sector Reforms**

- Comprehensive financial sector development plan developed with focus on: commercial banking, access to finance, contractual and long-term savings and strengthening enabling environment
 - revision of the BSL and Banking Acts 2000
 - Credit reference bureau established etc

STRUCTURAL REFORMS (Cont'd)

- **Public Sector Reforms**

- National Revenue Authority established in 2003 (comprehensive modernisation)
- National social Security and Insurance Trust (NASSIT established) in 2003 (public investment and health insurance)
- Establishment of the Human Resource management Office (HRMO) in 2008 (recruitment and retention (incl diaspora) and records management)
- A multi-year , sequenced Public sector Pay Reform Policy developed (2011-2015): scaled up pay levels

Structural Reforms (Cont'd)

- **Governance Reforms**

- Anti-Corruption Commission (ACC) established in 2000
- National Anti-Corruption Strategy revised
- ACC Act revised to bring it line with AU and UN conventions in 2008
- A number of high profile cases pursued
- Transparency International Ratings improved by 24 places in 24 years.
- MO Ibrahim Index
- Local Government Act (2004) to restore political and fiscal decentralization
- A greater number of MDA functions devolved

Structural Reforms (Cont'd)

- **Private Sector Development**

- Administrative barriers to investment study done
- Recommendations of study being implemented
- Legal and regulatory framework for business being improved (General law on Business Start-ups, Registration of Businesses Act, companies Act, Bankruptcy Act, and Payments Systems Act)
- Sierra Leone Investment and Export Promotion Agency (SLIEPA) established and made operational
- Public-private partnership policy developed and law drafted
- Sierra Leone's ranking in Doing Business Report improved 148/183 in 2010 from 156/181 in 2009
- Best place to do business in the MRU
- One of the top four for ease of doing business in ECOWAS

REMAINING CHALLENGES

- High incidence of poverty-still long way to reaching the MDGs
- High unemployment especially among the Youth
- Weak infrastructure
- Low domestic revenue and therefore high dependence on donors
- Weak Public sector capacity
- Still low human development indicators

Medium-Term Outlook

- Medium term economic prospects are bright
- Investments in the mining sector are expected to boost economic activity in 2012 and beyond.
- GDP will grow by at least 50% in 2012
- Exports will increase by four times
- Domestic revenue will increase substantially in the coming years

CONCLUSION

- Sierra Leone has gone through difficult economic times since Independence
- Improved Economic governance and management in recent years give a glimpse of hope
 - Medium-term Prospects are bright