Chapter 9

WILL THE LION EVER ROAR? BRIDGING THE GAP BETWEEN POLICY REFORMS, POLITICAL PRACTICE AND ENTREPRENEUR-LED GROWTH IN SIERRA LEONE

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9.1 Introduction

The government of Sierra Leone has set out to tackle entrenched poverty, marginalization, dependency and helplessness through a strategy that proposes to foster growth that is diversified (especially into job-creating sectors with good linkages with the wider economy), inclusive and accelerated. Indeed, the *Agenda for Change* enshrines this position as formal policy for poverty reduction. To this end, the government asserts that an energized, innovative private sector lies at the heart of this urgent need for more decent, productive jobs for the broad mass of Sierra Leoneans.

This chapter makes the following points.

1. Sierra Leone has set its hopes in reducing poverty in a programme of accelerated, diversified, and inclusive growth.
2. A revitalized, energized private sector is expected to drive and underpin this growth agenda.
3. There appear to be a number of problems with this approach:
   (a) there are incoherent approaches to what private sector development in practice actually means and probably a philosophical resistance to creating an environment in which markets can work for the poor in Sierra Leone;
   (b) in spite of the commendable government-led efforts to strengthen and support the private sector, rent-seeking by public officials remains the bane of entrepreneurs’ lives;
   (c) focused implementation/follow-through seems to be lacking;

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(d) there are non-existent or inadequate mechanisms in place for monitoring or evaluating progress;

(e) the impact on the private sector so far is not encouraging or is hard to discern.

4. Taking account of the capacity-constrained state and private sector in a still-fragile Sierra Leone, for the private sector to drive growth in Sierra Leone the focus has to be not on supporting entrepreneurs/ entrepreneurship or strengthening institutions but on both; the two are intertwined, which makes the life of the policymaker all the more difficult.
5. Success in this endeavour is unlikely without strong leadership combined with an improved level of cooperation among the state, private sector, and development partners.

This chapter argues that there is a disconnect between the apparent policy consensus surrounding the centrality of a revived private sector in Sierra Leone to the country's overall growth and poverty reduction strategy and practice/implementation. This disconnect requires greater commitment to addressing the underlying government, market, and information failures in the system. Even with better policy formulation, the problem of capacity to implement, which is weak across the public and private spheres, must also be tackled. The chapter explores remedies fashioning new instruments and levers to better connect private sector needs – that ultimately result in increments of the quality and quantity of investment – to public sector supply. Recognizing the urgency surrounding job creation and the improvement of incomes in Sierra Leone, this chapter seeks to understand why the results – to the extent that they are discernible – have been disappointing, even allowing for the inevitable lags between interventions and impact. In so doing, the chapter does not aim to produce a shopping list of things for the government to do. Institutional reform is complicated and often politically unpalatable. But the status quo is undesirable. Thus, the chapter aims to map out practical, realistic options for a range of actors who may have both the will and ability to change things for the better.

The next section reviews the literature on the link between entrepreneurship and economic growth in a country such as Sierra Leone. Even if links between entrepreneurship and growth are well established in the literature, is entrepreneurship a binding constraint to growth in a post-conflict state like Sierra Leone? Crucially, the insight we emerge with is that focusing on a supposed dichotomy between support for entrepreneurs/entrepreneurship and getting the institutions right is unhelpful. What matters more is the interaction between entrepreneurship and institutions.

The paper then briefly examines the gulf between policy and practice in Sierra Leone. First drawing upon previous work, it presents a breakdown of the binding constraints hampering economic subsectors. This serves to reinforce the message that the question of entrepreneurship and its contribution to growth is inextricably bound up with the question of institutions.[1] In recognition of the fact that underpinning the overall private sector development strategy in Sierra Leone is a system-wide approach called Making Markets Work for the Poor, the section poses the question as to whether there is either a commitment to such a philosophical pro-poor market orientation or even to a systems approach to reform in general. Beyond whatever philosophical doubts or resistance to change there may be, there are also straightforward implementation problems. For it to take effect, the change process has to go beyond policy pronouncements and legal changes. Wholesale institutional reforms are necessary but lacking. Finally, this section also looks for monitoring and evaluation mechanisms that would provide feedback and learning about what is working and why or why not. Such mechanisms are found lacking.

Following this, the chapter offers some recommendations on the way forward. It makes a case for strategically placed private sector actors to take the lead in driving change in order to help bridge the gap between the intention of policy reform and the actual reality as it impacts entrepreneurs. Moreover, while state reforms are undoubtedly needed, it is all too easy to overstate what the state must or indeed can do, with the downside being a de facto disempowerment of non-state actors who have critical roles to play. In addition to a focus on what the government could do, the section also considers the role of civil society – which could bring much more critical reflection, perhaps through think tanks, to bear on the current quest for private sector-led growth – and development partners, who enjoy considerable influence over both policymaking and implementation in Sierra Leone and who must necessarily coordinate their efforts for greater impact.

Finally, the chapter concludes on a note of hope. True, in structural terms, the omens do not look good. But structure is not destiny and there is scope for considered and concerted leadership – not just (or even) from within government but from the private sector, among entrepreneurs themselves, as well as other sectors of society – to turn things around.

9.2 Growth through Private Sector Development?

The brief review that follows starts with a consideration of the definition of entrepreneurship. It then addresses whether entrepreneurship is a binding constraint on growth. Next is an examination of some of the debates surrounding the growth diagnostics methodology. After this comes a consideration of the question of destructive entrepreneurship and institutions. Finally, the section wraps up with a summary.

[1] Institutions are understood in the following terms: 'institutions are the rules of the game of a society or more formally are the humanly devised constraints that structure human interaction' (North 1990).

9.2.1 Entrepreneurs and Entrepreneurship

It seems appropriate to commence the brief review of relevant literature with a consideration of the definition of entrepreneurs and entrepreneurship. As Parker (2009, p. 6) points out, there is no general agreement among scholars as to the meaning of entrepreneurs or entrepreneurship. While some associate the term with the self-employed and small business owners, others restrict the use of the term to business owners who employ other workers, and yet others prefer 'a Schumpeterian standpoint and argue that entrepreneurship entails the introduction of new paradigm shifting innovations rather than a particular occupation' (Parker 2009, p. 6).

In constructing his theory of economic development, Schumpeter takes a particular view of development, or the 'carrying out of new combinations', which he sees as covering five cases as mentioned below.

- The introduction of a new good – that is one with which consumers are not yet familiar – or of a new quality of a good;
- the introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also be a new way of handling a commodity commercially;
- the opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before;
- the conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created;
- the carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position.

Schumpeter 2008, p. 66

Schumpeter called the carrying out of these new combinations 'enterprise' and the individuals whose function it is to carry them out 'entrepreneurs'. In later work, Schumpeter (1942) went on to argue that capitalism itself consists of an incessant process of 'creative destruction' – a constant revolution of the economic structure from within; out with the old, in with the new. 'The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers, goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates.' In other words, it is the enterprise and the entrepreneur that create this 'perennial gale of creative destruction' (Schumpeter 1975, pp. 82–85) and indeed who face its full force, as other entrepreneurs engage in the innovative and entrepreneurial processes and generate competition for incumbents.

Schumpeter's thinking about entrepreneurs has been hugely influential and his original intervention proved to be quite pivotal in scholarly understanding of entrepreneurship (Ahmad and Seymour 2008, p. 8). However, scholars have also criticized Schumpeter on a number of fronts – the vagueness of his definition of innovation (Hagedoorn 1996); his assertion that entrepreneurs do not bear risk (Parker 2009, p. 35); and predictions about the impending demise of the entrepreneur that have proven wide of the mark (Parker 2009, p. 35).

However, these criticisms notwithstanding, when we consider the likely reasons for interest in entrepreneurship – not as an end in itself, but as a means toward growth, job creation, wealth creation, productivity and competitiveness improvements, etc. – we cannot dismiss Schumpeter out of hand.

The challenge, nonetheless, is in translating such a definition into objective measurements (especially if cross-border comparisons are intended). The appeal of statistics and indicators, such as the number of new business ventures or businesses with employees, lies in the relative ease with which they can be measured.

Indeed, as Ahmad and Seymour (2008) point out, there is a tension between 'top-down' definitions of entrepreneurship, i.e. those that relate to the goals of policymakers driving the agenda and the 'bottom-up' approaches often used by researchers somewhat based upon the pragmatism of available data sets and the realities as they emanate in the field of operations.

The Organization for Economic Cooperation and Development (OECD) has invested considerable effort in devising not only a workable definition of entrepreneurship but also a framework that takes account of the determinants, performance, and impact of entrepreneurship and a set of indicators to measure (sometimes by proxy) these entities (Ahmad and Hoffman 2008). Obviously, the data-gathering capacities of Sierra Leone, a least developed country, and OECD member countries are hardly comparable, but the conceptual concerns and challenges facing policymakers are arguably similar.

The OECD uses the following definitions.

- *Entrepreneurs* are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- *Entrepreneurial activity* is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- *Entrepreneurship* is the phenomenon associated with entrepreneurial activity.

Ahmad and Hoffman 2008, p. 8

The authors make explicit their focus on economic entrepreneurship rather than, say, social entrepreneurship, without diminishing the importance of the latter. In Section 9.3.4 we shall consider other less productive or even destructive dimensions of entrepreneurship that are important to also consider.

Ahmad and Hoffman (2008) make a distinction between entrepreneurship and entrepreneurial activity to emphasize the point that an entrepreneur is not a prerequisite to observable entrepreneurial behaviour in a company – the managers and employees may simulate the behaviour of an entrepreneur.

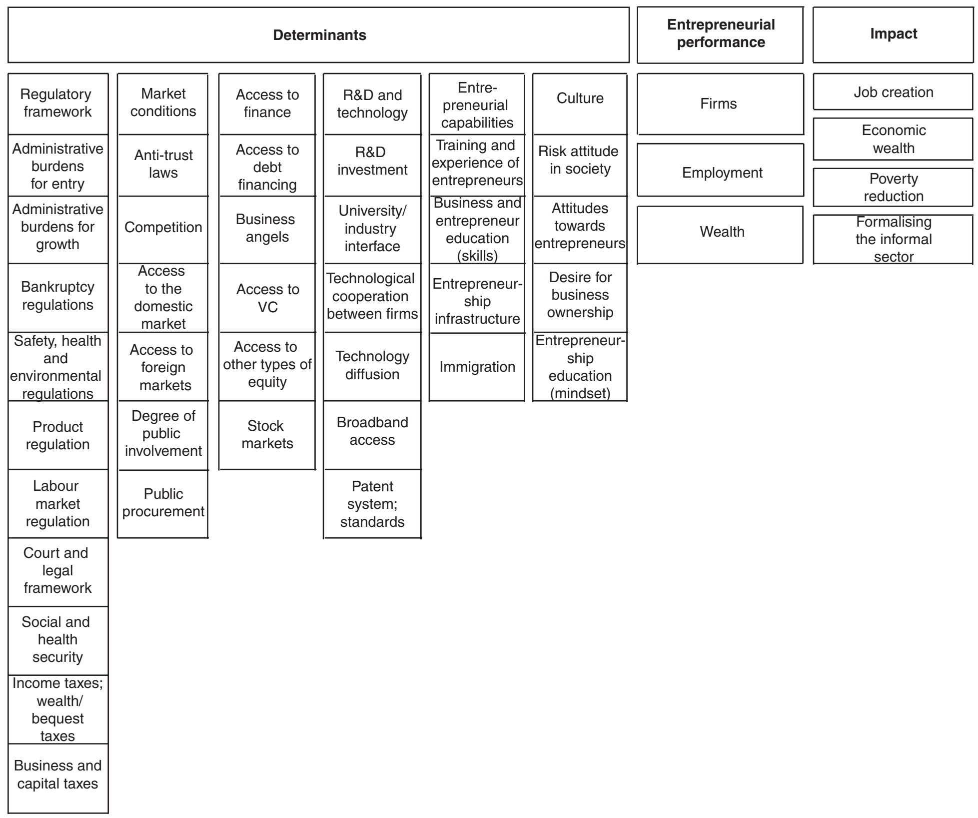

FIGURE 9.1. The OECD/EUROSTAT framework for entrepreneurship indicators: adding policy areas for entrepreneurial determinants. *Source*: Ahmad and Hoffman 2008, p. 20.

These definitions do not only associate entrepreneurship or entrepreneurial activity with new, small startups,[2] the self-employed, or even SMEs only; larger or older firms are also capable of entrepreneurial activity.[3] The definition of entrepreneurs does not assume that in seeking to generate value they necessarily succeed; some fail but are still entrepreneurs. The concept of *new* products, processes or markets presents some challenges from the viewpoint of measurement and indicators but is leaning more towards what some have called innovative rather than replicative entrepreneurship.

Figure 9.1 presents the OECD framework of desired impacts of interest to policymakers – job creation, economic growth, poverty reduction, and formalizing

[2] 'The typical startup isn't innovative, has no plans to grow, has one employee, and generates less than US$100,000 in revenue' (Shane 2008, p. 7).

[3] However, some researchers contest this point. For instance, Spencer and Kirchhoff (undated) argue that entrepreneurship should be reserved 'for the creation of new independent ventures to commercialize an innovation'.

Entrepreneurial performance		
Firms	**Employment**	**Wealth**
Employer enterprise birth rates	**High growth firm rates by employment**	**High growth rates by turnover**
Employer enterprise death rates	**Gazelle rates by employment**	**Gazelle rates by turnover**
Business churn	Business ownership start-up rates	Value added by young or small firms
Net business population growth	Business ownership rates	Productivity contribution, young or small firms
Survival rates at 3 and 5 years	Employment in 3- and 5-year-old firms	Innovation performance, young or small firms
Population of 3- and 5-year-old firms	Average firm size after 3 and 5 years	Export performance, young or small firms

FIGURE 9.2. OECD/EUROSTAT framework for entrepreneurship indicators: adding indicators to categories for entrepreneurial performance. *Source*: Ahmad and Hoffman 2008, p. 17. Business churn is the level of attrition of businesses.

the informal sector – all of which are equally of interest and relevance to policymakers in Sierra Leone; the units of analysis for entrepreneurial performance; and the determinants of performance. In most cases, these determinants combine to influence entrepreneurial performance, which in turn has an impact. For instance, high administrative barriers to doing business, combined with rigid market regulation can dissuade entrepreneurs from registering their business. This in turn can limit access to debt finance or indeed any form of finance as well as ability to bid for public procurement contracts. Such a firm is likely to experience stunted growth and contribute little to employment growth. Figure 9.2 presents the OECD's chosen indicators for entrepreneurial performance. We shall revisit this framework later when we examine in greater depth the suggested binding constraints on entrepreneurship and investment in Sierra Leone. For now, suffice it to say that developing such a framework that is adapted to Sierra Leone's realities will assist policymakers to formulate policy on the basis of evidence. In the OECD context, employer enterprise birth rates, rates of high-growth firms based on employment growth, rates of high-growth firms based on turnover growth, Gazelle[4] rates based on employment, Gazelle rates based on turnover, and employer enterprise death rates are deemed to be the core indicators of interest to policymakers.

9.2.2 Is Entrepreneurship a Binding Constraint on Growth?

While there may be strong arguments to suggest that entrepreneurship is not a binding constraint to growth especially for the poorest countries, there

[4] 'Gazelle' refers to young, high-growth companies (Ahmad and Hoffman 2008, p. 12).

is also evidence to suggest that entrepreneurship does play important roles in all stages of countries' developments. Therefore, a key contention of this chapter is that policymakers should pay close attention to development of entrepreneurship in Sierra Leone now, even as they address other, arguably more pressing, binding growth constraints.

Naudé (2009) has argued that entrepreneurship is not a binding constraint on growth and development in the poorest countries, among which Sierra Leone would surely be counted. This makes his work useful precisely because he sets out to question a growing trend in a strand of literature to posit the importance or even centrality of entrepreneurship to development (for example, see Baumol *et al.* 2007). He reviews two bodies of literature – that dealing with management/entrepreneurship and that dealing with development economics – to conclude that the entrepreneurship literature has not provided sufficiently convincing empirical evidence to support the general claim of the centrality of entrepreneurship for growth and development.[5] He seems to come down more on the side of development economists who argue that institutional weakness, not entrepreneurship, is the binding constraint.

First of all, terminologies and conceptual constructs matter a great deal. As Naudé points out, 'within development economics "development" involves both an increase in real output per capita, as well as in a structural transformation of the economy, from rural, agriculturally-based to being mainly urban- and industrial-based. In addition, many development economists are concerned that such development should be inclusive and sustainable, that is, it should be shared (inequality should not increase) and not be environmentally destructive' (Naudé 2009, p. 6). Entrepreneurship scholars, by contrast, typically narrow their focus to GDP per capita or employment/productivity growth. Poverty, welfare and inequality are not the concern of entrepreneurship studies.

Implicit or explicit in the entrepreneurship literature is a 'simple taxonomy of different "stages" of development, wherein each stage has by implication a different structure'. Naudé sees two problematic implications flowing from a reliance on an approach such as the three-stage factor-driven, efficiency-driven and innovation-driven taxonomy proposed by Porter (1990). First, moving from one stage to the next requires the strong hand of the guiding state to address market failures, coordination, etc. In other words, entrepreneurship is not *the* binding constraint.[6]

Second, the Schumpeterian association of entrepreneurship with innovation as driver of growth in the final stage of development suggests that entrepreneurship is not the main driver in earlier stages.

[5] Naudé (2007, p. 2) also points out that entrepreneurship in developing countries is a relatively under-researched phenomenon.

[6] However, some entrepreneurship scholars do explicitly ascribe the transformational role to entrepreneurs. For instance, 'business entrepreneurs drive and shape innovation, they speed up structural changes in the economy, and they introduce new competition, thereby contributing to productivity' (Bosma and Levie 2010, p. 8).

Indeed, in his review of the literature, Naudé shows how most entrepreneurship scholars themselves see the significance of entrepreneurship coming to the fore at later stages of development, beyond least developed stage. Because 'radical innovations are not essential in poor economies to move the production and technological frontier outwards as in developed economies, the implication is, as in development economics, that entrepreneurship is not the binding constraint on economic growth and development' (Naudé 2009, p. 16).

Furthermore, beyond the conceptual links between entrepreneurship and development, Naudé finds the empirical foundations for entrepreneurship scholars' claims to be shaky. He concludes that very little is known about whether and how entrepreneurship does or does not contribute to economic growth in developing countries.

While there is undoubtedly some ground for agreement with Naudé, there are also some grounds to object to his argument. Areas of agreement would include the weak empirical basis for the contribution of entrepreneurship to economic development leading to our incomplete understanding, and a general view that entrepreneurship is more important in more advanced developing countries.

For objections, first, entrepreneurship scholars' approach to the topic seems more nuanced than Naudé indicates. For instance, there is less a focus of state versus plucky individual entrepreneur and more a consideration of how the state and entrepreneurs interact and indeed how the former enables (or, in some cases, disables) the latter. Second, there may be sound pragmatic reasons for focusing on a narrow subset of development enablers but that need not imply a total disregard for development per se. Third, a focus on entrepreneurship as the binding constraint may not do justice to the growth diagnostics methodology. We explore these objections in further detail below.

We can agree with Naudé that the literature on entrepreneurship and development tends to make a clear distinction between so-called necessity entrepreneurs – who abound in poor, developing countries and who may reduce poverty (by taking up self-employment in the absence of any other options) but who do not contribute to growth (because they do not establish innovative firms that create jobs, improve productivity, etc.) – and opportunity entrepreneurs who are scarcer in developing countries but contribute to growth in developed economies. The Global Entrepreneurship Monitor, for instance, has helped to draw this distinction.

However, as Habiby and Coyle (2010) note, GEM 2009 reports that while the incidence of necessity entrepreneurship is predictably higher in developing countries than developed, there are also more opportunity entrepreneurs in the developing world as well. For instance, 10 out of 100 people GEM interviewed in developing countries were launching businesses, 40% of whom were necessity driven and 60% opportunity. By contrast, only 5 out of 100 people interviewed in the developed world were launching a business, 20% of whom were necessity driven and 80% opportunity driven. Of course, this says nothing about the opportunity entrepreneurs' contribution to growth of developing countries (or developed, for that matter), but it does debunk the myth that there is a dearth of opportunity entrepreneurs in developing countries (we do not know from the GEM data what the distribution of necessity/opportunity entrepreneurs across developing countries is).

In line with Naudé's observations, GEM argues 'it is the entrepreneurial mechanism that turns innovation into economic output. A lack of entrepreneurship can therefore be seen as a bottleneck for innovation-driven countries in achieving their growth ambitions' (Bosma and Levie 2010, p. 11).

But the GEM perspective on stages of development differs from that presented by Naudé in a significant way:

> It is important to recognize that all three principal types of economic activity: factor-driven, efficiency-driven, and innovation-driven, are present in all national economies. But their relative prevalence – and their contribution to economic development – varies.
>
> Bosma and Levie 2010, p. 11

Moreover, Bosma and Levie (2010) argue that entrepreneurship is a key mechanism for development in every phase but entrepreneurship's impact is likely to differ. Seen from this perspective, the challenge for policymakers will be to strike the right balance between creating the optimal conditions to enable entrepreneurs to contribute to growth while being attentive to the more basic (e.g. primary education) or other requirements depending on the precise conditions prevalent in the country in question.

In other words, there may be less of the dichotomy between, say, entrepreneurship and institution-building that Naudé presents and more of a creative balance to be struck between the two.

While Naudé's interest in the topic may have been primarily to incorporate the study of entrepreneurship into development economics to contribute to a better understanding of the way in which institutions affect economic development, policymakers have the unenviable task of making tough decisions with limited information (though hopefully incorporating the best and most accessible insights that rigorous and empirically grounded theory has to offer) and allocating scarce resources to achieve desired outcomes. There is general consensus that 'our understanding of the relationship between entrepreneurship and development remains incomplete' (Bosma and Levie 2010, p. 8); policymakers must still make critical choices in their quest for development.

9.2.3 Growth Diagnostics

The growth diagnostics framework that Hausmann *et al.* (2005) propose is intended as a strategy for figuring out policy priorities. They make three key points to justify their proposed approach. First, reform strategies should primarily be aimed at increasing rates of growth, i.e. they should be growth strategies. Second, although some general, abstract principles apply across the board, considerable knowledge of local specificities is required to translate them into operational policies. Third, growth strategies require a sense of priorities so that governments deploy their limited policymaking capital to alleviate binding constraints rather than in pursuing too many targets at once (Hausmann *et al.* 2005).

Even though Hausmann *et al.* (2005) are development economists, it is interesting to note their focus on growth as a key enabler of development stems not from a lack of concern for the wider development issues but from a pragmatic appreciation of the challenges policymakers face. There is clearly a fault line among academics of different leanings on this question of a focus on growth.[7] Development practitioners argue that this focus on growth is not pro-poor as it overlooks and fails to tackle inequality head-on (Sabates-Wheeler 2009). Nonetheless, as Sabates-Wheeler (2009) points out, growth theorists argue that poverty and inequality can be addressed in growth frameworks by ensuring that the poor participate in the growth. In other words, what is required is inclusive growth that focuses on creating jobs and raising poor people's incomes.[8]

The growth diagnostics decision tree at the heart of the methodology takes as its starting point that the problem of low growth stems from 'low levels of private investment and entrepreneurship' (Hausmann *et al.* 2005). This low level of investment in turn stems from low returns to economic activity or the high cost of finance. Low economic activity may result from low social returns, which in turn stem from poor geography, low human capital, or bad infrastructure. Low economic activity may also be the result of low appropriability, which stems from government or market failures. Government failures emanate from micro-risks: property rights, corruption, and taxes; and macro-risks include financial, monetary, and fiscal instability. Low appropriability may also stem from market failures – information asymmetries: 'self-discovery',[9] or from coordination failures.

Some have argued that this particular decision tree is best suited to situations where there is a need to ignite growth (e.g. as may apply in many sub-Saharan African countries) rather than to sustain growth, as may apply in many Asian economies (Felipe and Usui 2008).

[7] The debate is hardly new: Samuel Brittan (2011) quotes nineteenth-century English philosopher John Stuart Mill as advising that growth, like happiness, is best pursued by focusing on more specific goals.

[8] 'The challenge for policy is to combine growth-promoting policies with the right policies for assuring that the poor can participate fully in the opportunities unleashed and so contribute to that growth. If a country gets the combination of policies right, then both growth and poverty reduction will be rapid. Get it wrong, and both will be stalled' (Ravallion 2007, p. 4).

[9] This refers to the notion that entrepreneurship in a developing country consists of discovering the underlying cost structure – what can and cannot be produced profitably. The social value of such discovery, which can be imitated if successful, outweigh the private costs (borne by the entrepreneur alone, if their project fails) (Hausmann and Rodrik 2002).

Critically, however, from our viewpoint, the growth diagnostics methodology integrates entrepreneurship, investment, productivity, innovation, and institutions into one framework. Hausmann *et al.* (2005) stress that they do not mean innovation and R&D in the way they are often used in reference to advanced economies but the ability to identify and generate higher productivity activities in the context of the specific country in question (in our case Sierra Leone).

As Sabates-Wheeler (2009) points out, the growth diagnostics approach has captured the attention of important and influential bilateral and multilateral aid institutions and this, by extension, makes it an influential body of work. This is certainly true in Sierra Leone, where, as we shall see below, the growth diagnostics methodology helped inform both the *Agenda for Change* PRSP II and the formulation of the Private Sector Development Strategy.

It is worth remembering that the originators of the growth diagnostics approach saw the pursuit of growth as a dynamic process. Thus the methodology entails identifying the binding constraints; designing appropriate policy interventions best suited to alleviating the constraints identified; and institutionalizing the diagnostic and policy design processes, taking account of the dynamic way in which binding constraints will likely change over time (Sabates-Wheeler 2009).

9.2.4 Destructive Entrepreneurship and Institutional Arrangements

Baumol (1990, p. 897) offers an alternative definition of entrepreneurs, namely, as 'simply, persons who are ingenious and creative in finding ways that add to their own wealth, power, and prestige'. He posits that the amount of entrepreneurial talent in an environment may be given but that the talent can allocate across a spectrum of activities – from those that are beneficial to a society (e.g. innovative and job-producing) to those that are harmful (e.g. rent-seeking or organized crime) – depending, among other things, on the institutional arrangements, or rules of the game at play and the payoffs or incentives on offer. He surveys the historical record to identify broad correlations between periods of productive, or unproductive, or destructive entrepreneurship and the incentives/rules of the game.

The relevance, as Baumol (1990, p. 916) sees it, of these insights, is to guide the policymaker's attention to, for instance, the preponderance of rent-seeking behaviour among entrepreneurs as a promising area for changes to the rules of the game to tilt them more in favour of productive endeavour.

A society's institutions are probably the product of complex interactions that evolve over time and may not lend themselves to quick fixes, even assuming there is the political will to do so. However, it may be possible to change incentive structures in a shorter space of time, assuming, of course, that the political will to do so exists.

Although we are primarily interested in matters economic in this chapter, we can hardly ignore politics. Although Robinson (2008) discusses Sierra Leone's political economy with a view to offering some guidance to the World Bank's

Country Assistance Strategy, his prognosis – sobering and pessimistic though it is – is immensely insightful. Writing in the year after the ruling All People's Congress Party swept to power in the August 2007 elections, Robinson's 'preliminary conclusion is that while there are some obvious changes, much appeal probably remains in the political strategies which immiserized the nation' (2008, p. 3). Furthermore, although terms of trade may be more favourable for enduring economic growth, 'without political change such growth will likely be oligarchic and lead to large increases in inequality' (Robinson 2008, p. 3). Starkly put, Sierra Leone is poor because it has had 'terrible governance' (Robinson 2008, p. 4).

In Robinson's view, a patrimonial state is one in which patrons typically focus on supplying private rather than public goods to their clients in return for support. This patrimonial state is characterized by insecure property rights, selective application of laws, market distortions that enable rent-seeking, and a co-opted bureaucracy – a far cry from the rational-legal meritocratic system identified by Max Weber. Robinson goes on to consider the causes of such a patrimonial system usefully thinking not just about supply-side factors but also the demand pull side. Supply-side factors include the absence of a national identity, no social contract or legitimate structure of authority, heterogeneous identities creating a fissiparous polity, and a path dependency from weak colonial institutions (such as reliance on indirect rule via chiefs as in Sierra Leone's case).

On the demand side, 'in a very heterogeneous society there may be much less demand for public goods, which reduces the opportunity cost of the massive under-supply of public goods which is the natural by-product of patrimonialism. Another facilitating factor on the demand side may stem from the fact that in a society divided by ascriptive differences it is easy to conceive of a polarization between different groups which may lead people to be disposed to reject the application of universal rules, so undermining principles which would impede the creation of patrimonialism' (Robinson 2008, pp. 10–11).

Historically (up to the prewar period), Robinson argues that Sierra Leone fitted this picture pretty well. Taking stock of postwar contemporary Sierra Leone, he notes that on the plus side, democratic institutions have taken root – the role of the Electoral Commission in overseeing the peaceful transition from SLPP to APC rule in 2007 is a particular highlight. Less positive, in that author's view, is the emergence of the Freetown electorate as swing voters upon which the results of an election might turn, potentially creating an urban bias in policy focus (and thus reinforcing historical patterns of rural marginalization and centralization). Polarized ethnic identities continue to shape voting patterns and political competition can intensify pressures to deliver private (rather than public) goods, both characteristics of which are of course negative.

In surveying the first few months of the APC regime, Robinson notes that the president is not part of the APC old guard and thus marks a genuine break with the past. Most notably positive has been a more determined push against corruption through a strengthened legal regime for the Anti-

Corruption Commission. On the other hand, Robinson observes the clientelism in appointments from ministries to parastatals to other public sector agencies and a degree of authoritarianism.

With a few more years of APC rule since Robinson's piece in 2008, it is possible to confirm most of the trends he observed in the regime's early days. Perhaps what has emerged more clearly is a determination to deliver public goods – power in Freetown, roads across the country, free healthcare to pregnant women and mothers of children under five, and arguably the Smallholder Commercialization Programme (SCP) all spring to mind in this regard. However, Chaves and Robinson (2011) document a resilient patrimonialism, suggesting that the drive to deliver public goods may be compatible with forms of patronage and rent-seeking.

Many informed observers believe that rent-seeking is all too alive and virulent across society. Indeed, a core thesis of this chapter is that rent-seeking and corruption more generally continue to be the bane of legitimate business endeavour in Sierra Leone and raise fundamental questions about the efficacy of private sector development efforts to date, disconnected as they seem to be from the day-to-day reality of business owners and their ventures in the country.

Returning to Robinson's broad thesis, we can say at the very least that there is a great deal of continuity between the old and new APC regimes mixed in with some few positive signs of change and it is too early to tell whether Sierra Leone can make a clean break with its past or whether a fundamental and permanent break with the past is possible.

9.3 Sierra Leone's Growth Strategy

The purpose of this section is to examine the extent to which we can say that Sierra Leone has a growth strategy in place and if so what its core elements are, how progress is monitored, what remedial steps are taken, and so on.

Before proceeding, however, it is worth stressing that, on paper at least, Sierra Leone displays a strong policy commitment and cross-party consensus on the primacy of the private sector in the drive for accelerated, diversified, and inclusive growth. Evidence for this assertion can be found in various policy and strategy documents, including *An Agenda for Change, Sierra Leone's Second Poverty Reduction Strategy Paper, 2008–2012*, the government of Sierra Leone's (GoSL) preeminent document setting out its pro-poor growth strategy. The *Agenda for Change* identifies the private sector as a critical underpinning for the strategy as a whole. The Smallholder Commercialization Programme (SCP) – GoSL's flagship agricultural programme – the Private Sector Development Strategy, the Financial Sector Development Plan (FSDP), the Doing Business Reforms programme, and the export strategy are all further and more detailed programmatic manifestations of the *Agenda for Change*. They all assert the importance and centrality of the private sector to the growth agenda.

9.3.1 Binding Constraints to Investment and Entrepreneurship

In tackling its task of assisting the government of Sierra Leone to devise and implement a private sector development strategy, the Private Sector Development Strategy Programme (PSDSP) undertook a thoroughgoing analysis of Sierra Leone's growth agenda and the role of the private sector within it. A diagnostic report (PSDSP 2008) was the main analytical underpinning for the ensuing strategy. The study takes as its starting point the need for Sierra Leone to accelerate and diversify its growth to ensure that the poor participate more fully in the economy. In other words, the goal is broad-based, inclusive growth. Moreover, it sets out a case for increasing investment and entrepreneurship as the initial priority in this regard.

> [I]ncreasing and diversifying investment appears to be a pre-condition for bringing about the other conditions for broad based growth:
>
> - Increasing productivity and competitiveness depends upon investment in productivity enhancing technology. The technology used in Sierra Leone in many industries is old and outdated as a result of decades of under investment. It also requires innovative entrepreneurs who can introduce better business models that are likely to improve productivity and competitiveness.
> - Market access [of products and services in which poor providers/producers are active] and functioning [of these markets] will only improve if there is private investment to overcome key bottlenecks in … value chain[s].
> - The country is likely to only benefit fully from the international linkages of trade and investment if it can develop its own capacity to export and domestic businesses can harness the technology transferred by FDI. Attempting greater trade integration without building the productive capacity of the economy will simply result in higher levels of imports.
>
> PSDSP 2008, pp. 10–11

Thus the Diagnostic Report sees investment and entrepreneurship as the building blocks of the economy, without which scope for broader, more inclusive growth is limited.

The report points to the need to increase and diversify domestic and foreign investment. Domestic investment is important because foreign direct investment (FDI) tends to follow local investment patterns rather than lead them. Moreover, FDI has typically constituted no more than 30% of gross capital formation in recent years in Sierra Leone (and even major FDI destination countries like China usually do not exceed this sort of figure).

On entrepreneurship, the report points out:

> If private investment is to increase and diversify, then the incentive for entrepreneurs to engage in productive rather than predatory activities must be improved. And there must be ways to recognize and encourage the more

> able entrepreneur. The critical process of discovering new economic activities in which the economy can compete rests on improving the quality of entrepreneurship.
>
> PSDSP 2008, p. 15

Prior to the PSDSP Diagnostic Report, two earlier growth diagnostic studies had been undertaken in Sierra Leone (Hornberger *et al.* 2007; Phillipson 2008). All three assessments laboured under similar constraints of paucity of reliable, current data. They arrived at broadly similar conclusions but while the PSDSP Diagnostic Report agreed with the other two studies that the availability of an educated workforce does not constrain investment and entrepreneurship, human capital is a constraint precisely because the quality of entrepreneurship is low.

In essence, the key binding constraints hampering entrepreneurship and investment in Sierra Leone's economy are as follows.

Domestic lending. Micro, small, and medium-sized enterprises are particularly constrained as they primarily rely upon domestic financial institutions for loan capital.

Market failures. The resource sectors in which economically active but poor citizens are engaged are heavily constrained by information and coordination failures that manifest in the value chains of economic sectors and clusters that are characterized by low competitiveness, missed opportunities, etc.

Micro risks caused by government failures. 'Rights to property, poor stewardship of natural resources, corruption and poor policies and institutions affect all industries' (PSDSP 2008, p. 35).

Infrastructure. Inevitably, the high cost, or poor quality, or unavailability of infrastructure hampers business (especially manufacturing) and simply rules out some ventures as completely uneconomic or infeasible.

Human capital. The poor quality of entrepreneurship affects most sectors, although skills more broadly are not considered to be a binding constraint.

As already noted, the Diagnostic Report heavily influenced the PSDS in the sense that the five pillars identified in the strategy are indeed the same five key binding constraints identified by the Diagnostic Report (GoSL 2009b).

The PSDS itself is best understood as an organizing framework to guide interventions of various actors – across GoSL, development partners, private sector development support agencies, and the private sector itself – rather than as a unitary strategy to be implemented by one accountable body. Nonetheless, under the PSDSP a few catalytic interventions were implemented that intended to serve as demonstration projects within select pillars of the strategy (an example was the launch of the country's first national business plan competition, Business Bomba).

The Ministry of Trade and Industry is currently establishing a Private Sector Development Directorate to, among other things, effectively coordinate the implementation of the PSDS.

9.3.2 Philosophical Underpinnings of Growth in Practice in Sierra Leone

However, although implementation undoubtedly leaves much to be desired as far as programmes in Sierra Leone in general and PSD initiatives in particular are concerned, the contention of this section of the chapter is that there is fundamental, though unexpressed, resistance in Sierra Leone to the philosophy that underpins the PSDS and many related initiatives.

Underpinning the Diagnostic Report, the PSDS, and the project as a whole has been the 'Making Markets Work for the Poor', or M4P approach, championed by bilateral aid agencies such as the UK Department for International Development (DFID). In particular, 'achieving institutional and systemic change in the operation of markets important to the poor is at the core of the M4P approach' (DFID 2005, p. 15); arguably this presents considerable challenge in a context such as Sierra Leone's. While it is outside the scope of this chapter to analyse in depth specific GoSL programmes, Table 9.1 presents a snapshot of a few recent GoSL initiatives and compares them with how they might have been approached using an M4P framework.

The GoSL initiatives are of course more eye-catching (i.e, with popular appeal) than the M4P alternatives. They are precisely the sorts of things a government wants to be seen announcing to an expectant public in the run-up to an election. They resonate with the public. For example, every entrepreneur complains about the grotesquely high interest rates banks charge for their loans (compared to their below-inflation rates on deposits). Here, at last, is the government doing something about that. Here is modern day democratic politics at play, with a populist twist and albeit with the urban bias that Robinson (2008) and others before him have cautioned about. But a US$2 million loan fund parcelled out at 5% is clearly unsustainable given the real costs of capital and the high demand at that low interest rate. And yet such a sum represents barely 1.12% of total loans disbursed in 2009 and is thus a mere drop in the ocean.

The imposition of a temporary ban on the export of locally produced rice and palm oil may also generate a number of unintended consequences. The bans were reimposed (previous governments have imposed similar bans) as a price stabilization measure[11] allegedly because these commodities are illegally smuggled across borders and sold in neighbouring countries. It is unclear what makes cross-border trading among ECOWAS and Mano River Union countries illegal in the absence of such a ban (and the legality of the ban under Sierra Leone law is itself subject to doubt). A government-owned company, the Sierra

[11] 'Government bans rice and palm oil' (www.freetowndailynews.com/africa.html, accessed 5 March 2011).

Table 9.1. Selective GoSL interventions versus M4P alternative approaches.

GoSL initiative	M4P alternative
Subsidized loans for SMEs (5% interest rate compared to market rates that typically exceed 25%) in order to improve access to affordable finance[10]	Loan guarantee scheme combined with establishing a market for business development support services and incentives to banks to overcome high costs of capital for borrowers
Export bans on rice and palm oil to reduce shortages and price rises in urban markets	Ongoing efforts to incentivize increased production of rice and palm oil; better coordination of infrastructure development (roads especially) to improve producers' access to markets (Freetown especially); better coordination of support mechanisms to improve varieties and production techniques in order to increase farmers' productivity.
Establishment of numerous rural community banks and village-level financial savings clubs to widen access to rural finance	More calibrated approach to work with existing commercial financial institutions to advance the access frontier of financial services in rural areas, in other words to widen access to financial services in commercially viable and sustainable ways.

Leone Produce Marketing Company has taken up buying of local produce in remote market areas with better access to Liberia and/or Guinea than Freetown. Calling on 'all security personnel, custom officials, trade monitors, district councils, and other relevant government functionaries to enforce this ban and take appropriate action to bring to justice any defaulters',[12] as the Minister of Trade has done, sets the scene for continued harassment of traders and paves the way for further entrenchment of rent-seeking behaviour among such personnel. GoSL's actions also serve to reinforce the popular narrative that difficult trading conditions are somehow the result of exploitative traders, thus exposing them to the 'grabbing hand' of the state. This is hardly an encouragement for would-be entrepreneurs.

Given how central cross-border trade is to the local economies, livelihood strategies, and food security in the border areas of Sierra Leone, Liberia, and

[12] 'Government bans export of locally produced rice and palm oil' (www.awoko.org/2011/02/16/government-bans-export-of-locally-produced-rice-and-palm-oil/, accessed 5 March 2011).

Guinea (WFP 2010), the government's action is probably evidence of the urban bias in policymaking as Robinson (2008) had suggested.

All of the problems that GoSL has sought to solve with subsidized loans and export bans are the result of a complex mix of systemic failures – market, government, coordination, and information. While the political pressure to present solutions is perhaps a sign of a healthy democracy in action demanding accountability of elected leaders, failure or unwillingness to put in the long hours to address existing market and government failures but rather opting for more direct government interventions runs the risk of fuelling a vicious downward cycle in which failures beget government interventions which in turn beget further failures justifying even more intrusive government interference.

9.3.3 Implementation Problems

M4P is presented as a development objective; an analytical framework; and a practical framework for action (DFID 2005, p. 1). As an analytical tool, M4P can help inform growth strategies but it can also be used on a stand-alone basis to change markets to be more pro-poor (DFID 2005, p. 3). However, there is a fundamental contradiction in trying to implement what essentially is a whole systemic framework using a piecemeal project-by-project approach.

But if there are philosophical differences between the way GoSL chooses to address PSD and a conventional M4P approach, there are also problems with the way even sound initiatives are implemented, further hampering growth prospects.

For instance, the flagship of GoSL's recent World Bank Doing Business Reforms has been the simplification of business registration. This initiative was informed by a survey of informal businesses in Sierra Leone that suggested that informal businesses were not unwilling to formalize but both the cost and complexity of the process were obstacles (FIAS 2006). Both the General Law (Business Start-Up Amendment) Act (2007) and The Registration of Business Act (2007) were enacted and given their Presidential Assent in 2007. They greatly simplified the business registration process and in theory paved the way for businesses to be registered at much lower cost.[13]

However, in spite of the fact that the Office of the Administrator and Registrar General (OARG) – the body responsible for business registration – published the costs of registering a business and the time it should take as part of these reforms, businesses' experience with the service has been quite mixed. In reporting on the experience of supporting various winners of the 2010 business

[13] Specific reforms included: Elimination of the Exchange Control requirement for business registration; elimination of the obligatory involvement of a solicitor in the preparation of Memorandum and Articles of Association during the business registration process; elimination of the annual renewal of Business Registration License; elimination of the Advance Tax Payment system for newly registered businesses; combining the Work and Residence permits into a single permit and extending the validity of this permit beyond one year (Coffey International Development 2009).

plan competition, Business Bomba, AFFORD Sierra Leone (2010) noted the following:

> [T]he registration of a sole business by two winners at the Office of the Administrator and Registrar General (OARG) produced huge variances of up to Le 300,000. What we observed was that personalities within the OARG system collect monies in the guise of aiding the registration process of businesses. In these cases, the amount spent in the registration of the businesses far exceeds the official rate of OARG.

Many business registrants report the same experience, suggesting this is far from a one-off aberration but rather is the norm. Indeed, across a whole raft of reforms, implementation is turning out to be the weakest link.

9.3.4 Oversight Mechanisms

An absence of an agreed overarching analytical framework, let alone buy-in to M4P, and weak implementation of reform initiatives are not the only obstacles hampering the pursuit of growth in Sierra Leone. In addition, GoSL lacks effective mechanisms to monitor the progress of its de facto growth strategy (i.e. the *Agenda for Change* (GoSL 2009a)). Even if there is some oversight at ministerial level, there needs to be overarching strategic oversight if any strategy is to achieve its desired objectives.

The only overarching review mechanism that assesses the performance of the goals set out in the *Agenda for Change* is a document called the *Joint Progress Report on the Agenda for Change*, January 2009–June 2010 (GoSL 2010b). However, this report appears to be addressed to an essentially external audience, given that it has been produced as a result of a recommendation of a 2009 Peacebuilding Commission High-level Special Session on Sierra Leone (GoSL 2010b, p. 9). Although the report 'has been structured in such a way to reflect the government's achievements and constraints with respect to the *Agenda for Change*', it lacks the analytical depth or rigour to penetrate the sorts of issues pertaining to, for instance, entrepreneurship and growth.

Moreover, although the report points to the drop in the growth rate to 4% in 2009 and a projected rate of 5% in 2010 and the possibility of 6% by 2012, it does not analyse the implications of this much lower growth rate in relation to previous targets or the prospects for achieving medium-term goals. Indeed, the report itself implicitly acknowledges the absence of an effective monitoring mechanism: 'in order to make future reporting even more effective, there is a need to develop a Results Framework for the *Agenda for Change* – this should set out priority policy and institutional actions and output and outcome indicators' (GoSL 2010b, p. 18).

The list of recommendations that emerge from consultations (as opposed to a more sustained process of analytical reflection, including input from stakeholders) produce an anodyne shopping list of suggestions. Take for example the following: 'there is a need for more periodic meetings with the top management of each Ministry to discuss the constraints on implementation, and suggestions for effective implementation. The information gleaned from these meetings should be incorporated into future activity plans and strategies' (GoSL 2010b, p. 42). Such suggestions are of limited use to policymakers or practitioners in enhancing the country's growth prospects.

9.4 *Agenda for Change* versus Change the Agenda

What will change things for the better? More determined implementation of the existing policies outlined in the *Agenda for Change* or a fundamental rethink of priorities and a change to the agenda? This section makes the case for a bit of both. As a framework for action, the *Agenda for Change* is good enough and surely focused, and disciplined implementation is more important at this stage than constantly revisiting plans and frameworks. Yet the need for more coherence and clarity around the role of the private sector in particular and creation of the closest-to-ideal conditions for productive entrepreneurship to flourish demand a rethink of the approaches adopted, the role of GoSL, and the quest for a more judicious mix of institutions to drive the private sector-led growth agenda.

This subsection maps out a suggested action agenda for various actors – the private sector, GoSL, civil society, and development partners.

9.4.1 Private Sector's Role in Driving Private Sector Development

Sierra Leone's private sector is relatively weak, reflecting wider institutional and organizational capacity constraints in the country. It is also highly fragmented, with a profusion of largely donor-dependent business membership organizations, none of which has the legitimacy, or capacity, to speak for the private sector as a whole. Nor are the divisions along reasonably rational lines such as a confederation of Sierra Leonean large-scale industry versus an association of small business owners, for instance. Rather, there are sectoral groupings (market women, petty traders, agriculture, etc.), ethnic groupings (Lebanese, Fula, even 'indigenous', etc.), jostling with the Sierra Leone Chamber of Commerce, Industry, and Agriculture that is probably still regarded as the premier business membership organization. However, even the Chamber of Commerce boasts only some 300 members, barely half of whom are current in the payment of their dues.[14] The Chamber itself has recently seen the formation of a breakaway association, initially dubbed the Chamber for Agriculture but now called the Sierra Leone Centre for Agribusiness Development.

Sensible but unfortunately donor-driven attempts to congregate all the business membership organizations under the umbrella of a well-funded, structured Sierra Leone Business Forum for the purpose of engaging in a public–private dialogue between GoSL and the private sector have had only partial

[14] Personal communication with the Executive Secretary, Friday 25 March 2011.

success. And, in any case, the long-term sustainability of such an arrangement after the eclipse of donor funding remains in doubt.

Yet, as has been argued in this chapter, there is a disconnect between the apparent policy consensus surrounding the centrality of a revived private sector in Sierra Leone to the country’s overall growth and poverty reduction strategy and actual practice/implementation. Realistically, without the private sector taking the lead to drive the agenda, albeit interfacing closely with GoSL where appropriate, this state of affairs is likely to continue.

We contend here that leading lights within Sierra Leone’s private sector need to come together to establish a structure, such as a trust and implementation fund, to drive this country’s private sector development agenda. The trust would be established as an autonomous body with a mandate to drive forward a private sector development agenda that result in job creation and a widening of opportunities for wealth creation in the economy.

The trust would have as its board members a small number of eminent and successful business leaders of proven integrity, vision, and track records of sound managerial capability.

At the risk of being branded elitist, while being thoroughly grounded in the realities and possibilities of private enterprise, such leaders need to be enlightened enough to see the bigger picture and operate beyond narrow self-interest to set and advance a broad agenda for inclusive private sector-led growth in Sierra Leone. In addition to being influential, respected, well-established, accomplished entrepreneurs and managers in their own right, these leaders must be able to operate well above the fray of political patronage and intrigue.

Today, cooperation and joint action among Sierra Leone’s private sector suffers from a ‘collective action problem’ (Olsen 1965), not least because divide and rule has been an effective mode of political control used by successive governments intent on disbursing selective private goods rather than collective public goods. Nonetheless, this situation is not necessarily hopeless as Ostrom (2000) counters that cooperation is widespread, although not inevitable.

This board would oversee a small secretariat of professionals to manage the day-to-day implementation of the trust’s programmes. Such implementation would include raising resources for an implementation fund that would be used to design and implement demonstration projects and other initiatives to advance the private sector development agenda.

The credibility of such an initiative will be greatly enhanced if some of the required resources for trust management and implementation are mobilized from domestic private sector sources rather than relying entirely on external funds to finance trust programmes. The trust would also need to engage closely with existing business membership organizations and ensure they were part of the wider stakeholder group to which it was accountable (without being held hostage to the demands of any single group).

The trust would need to be savvy enough to initially pick areas of intervention well away from the crowded field of GoSL market interference to demonstrate by doing and with visible, quick results what is possible in terms of a growth agenda when the talent of real productive, innovative entrepreneurs is unleashed. For instance, rice production and distribution are highly sensitive areas subject to much political interference and are best avoided in the first instance. Perhaps creative approaches to business development support and SME capacity building offer more promise in the first instance. With time and success, it should be feasible to take on more ambitious and touchy areas. Through the PSDSP, much of the analytical work has been done, some pilots have been tested (such as the business plan competition, some value chain interventions, etc.) so such an initiative has a strong foundation upon which to build.

At present, no comprehensive, effective monitoring and evaluation or performance management framework exists to track progress in private sector development or private sector-led growth in Sierra Leone. Given the evident desirability of tackling widespread unemployment, for instance, it is surprising that at present no one collects accurate, comprehensive data on unemployment or number of jobs created. An M&E framework would draw clear links between inputs and outcomes and impacts (and not just outputs) and assess the extent to which different policy measures generate scalable solutions or offer better value for money. It would make sense for the trust to take this on as one of its core tasks. Statistics Sierra Leone and various government ministries already produce useful data (see, for instance, GoSL 2009c) but the challenge is pulling the required data into a useful framework to inform on progress and help identify the necessary course corrections. Figures 9.1 and Figures 9.2 above highlighted the OECD’s approach to determinants, performance indicators, and impacts pertaining to entrepreneurship and arguably they form an excellent start for Sierra Leone. The framework could be adapted to reflect, for instance, the absence of other forms of infrastructure such as power, roads, and water in the Sierra Leone context, in contrast to OECD countries (where the focus is on high-speed broadband access to the internet). Undeniably, it is a major undertaking but one that is absolutely essential if in future years Sierra Leone is to be able to assess what progress has been made toward achieving sustained, diversified, inclusive, private sector-led growth year on year.

Another group of private sector actors with a critical role to play in strengthening the private sector are the business support providers – the firms that offer business planning, advisory, consulting, and training services to other firms. At present, the market for such business services hardly exists or is at best ill-developed. Well-managed business support firms with a commitment to their clients’ growth and development demonstrate a vested interest in the evolution of a fully fledged market for their services. Much of the responsibility for the evolution of this market lies with the service providers themselves. The more professionally minded among them with a commitment to delivery of high-quality services could, for instance, form themselves into an association of business support providers with the aim of setting some minimum self-regulated performance and quality assurance standards. This would send a strong signal to buyers of their services – business owners as well as various support agencies or other businesses who purchase such services (i.e. embedded services) on behalf of their own client groups.

9.4.2 GoSL's Role

When we consider GoSL's role in driving the growth agenda, particularly considering the role of the private sector, the good news is that there is broad consensus across the political spectrum on the need for the sort of reforms upon which successive governments have embarked in recent years. Indeed, so apparent is this continuity that the opposition has in the past accused the current government of being nothing more than a 'pull nar doe' government (in other words, a government that arranges naming ceremonies for babies it did not conceive).

It is probably futile to expect a wholesale shift of GoSL policy vis-à-vis private sector development before an election. What may be more realistic is an effort to encourage the government to affirm its own growth targets set out in the *Agenda for Change* and to commit more effort to monitoring results and taking necessary corrective action when evidence emerges that results are adrift from planned targets. Indeed, GoSL may borrow a leaf from the British government that has established the Office for Budgetary Responsibility to provide *independent* assessments of the economy's growth prospects. Framing evidence that the Sierra Leonean economy is off its growth targets as a problem requiring investigation and solutions along the lines of course corrections may help to avoid the risk that below-par performance is immediately seen as a failure and thus politicized. If the latter ensues, there will be less willingness to discuss growth performance openly and as a result, it may be harder to mount the rational responses required to keep growth on track.

Within GoSL itself, until there is some organizational unit (which could be within a ministry) directly responsible for delivering the overall growth strategy, it is likely to continue to fall between the cracks. Rather than creating another special position, it might be that this is something that the office of the Chief of Staff to the President or the Strategy and Policy Unit inside the Presidency should take direct responsibility for, assuming that they can bring on-board the requisite skills. Already, these bodies monitor the performance of the individual delivery units, but no one seems to take a strategic view at the aggregate level.

One area where it might be possible to persuade GoSL to develop a clear strand of policy is on entrepreneurship itself. Such a policy might have a number of components. First would be a clear definition of entrepreneurs, entrepreneurial activity, and entrepreneurship and a strong statement of commitment to allow productive, innovative entrepreneurs as much free reign as possible while seeking to minimize the incentives for destructive entrepreneurship.

Second, would be to give this quest for an improvement to the incentive structure for entrepreneurship more teeth by tasking the Anti-Corruption Commission with a special role to designate areas, such as the Special Economic

Zone set up by the company First Steps, as areas of special interest as far as preventing and prosecuting all forms of corruption is concerned, thus discouraging destructive entrepreneurs and limiting the 'gabbing hand' (Naudé 2007, p. 14, quoting Frye and Shleifer 1997) of the state.

Third, Sierra Leone's President recently called for 2012 to be declared the Year of the Productive Entrepreneur[15] and this potentially forms the basis for a concerted public–private partnership between GoSL and the private sector to bring a focus to bear on the constraints hampering entrepreneur-led growth in Sierra Leone and the critical role that entrepreneurship necessarily must play in the country's growth and development. This would draw in a comprehensive range of stakeholders and actors to look at near-term, medium-term, and long-term issues, such as educating tomorrow's entrepreneurs. Such a year could culminate in a national 'jobs summit' (in reality a jobs and incomes summit) to focus on how the private sector is creating the jobs and incomes so desperately needed in Sierra Leone. GoSL could take the lead at regional – Mano River Union, and ECOWAS – levels as well as across the continent to address and advance this jobs agenda and engender the needed fresh thinking and sense of urgency.

9.4.3 Role of Civil Society

A striking feature of civic life in Sierra Leone is the absence of a space or culture of public discourse around policy matters of import to the general populace. There is a vibrant press of sorts and a lively FM radio scene but there are no visible think tanks contributing to policy debates. Furthermore, NGOs tend to come across as single issue focused and often appear overly confrontational rather than bringing solutions and plausible alternatives to the table. There are few meetings open to the general public where public policy is discussed or subjected to critical scrutiny. Worse, there is a general reluctance among well-informed citizens to speak out, for fear of being branded as troublemakers or anti one thing or another.

Often, when a government official has committed to a particular line of action, regardless of its merits, it can be difficult to then advocate for a change of course that might risk some loss of face for the official. Rather, it may be preferable to engage in more of an agenda-setting exercise through high-quality think tank-type policy research, seminars, discussions, briefs, and 'quiet diplomacy', etc.

Given the economic contractions during the war years and political turbulence, it is perhaps not surprising that Sierra Leone does not have the well-populated think tank scene that one or two African countries can boast of. However, with the war hopefully behind it and the economy gradually picking up and sustaining at least respectable growth, prospects may look

[15] Speech at the Grand Finale of the 2011 Business Bomba business plan competition, 23 April 2011, Miatta Conference Centre, Freetown.

more promising for a market for at least one or two think tanks to emerge, especially focusing on a broad range of economic matters. The advent of the internet, social media, etc., suggests that the barriers to entry to publishing good-quality material should now be lower alongside operating costs. Arguably, this could be the most useful contribution from civil society at this stage, namely, complementing existing roles already played by others (for instance, NGOs implementing livelihood programmes).

9.4.4 Development Partners

GoSL's development partners display a healthy appetite to support the development of the country's private sector. Both the UK Department for International Development (DFID) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (German International Cooperation) subscribe to the M4P paradigm through their private sector development support programmes. Historically, DFID Sierra Leone's Private Sector Development Advisor played a leading role among development partners in private sector development prior to its decision to end its support for that strand of work. Other development partners frequently expressed appreciation for this lead from DFIDSL. With an intended DFIDSL re-engagement on the private sector development front, the prospects for a resumed leadership role to fill the vacuum created by its earlier departure look promising.

A critical role will be to try to forge a common agenda among development partners supporting private sector development in Sierra Leone. The omens look good – partners have generally shown willingness to align their efforts around GoSL's private sector development strategy. In addition to this, efforts to align initiatives behind the M4P approach will greatly strengthen the coherence of private sector-led growth efforts in Sierra Leone.

Development partners will need to be both pragmatic and creative in supporting initiatives in spaces where government interference is minimal and where dramatic results can be demonstrated, hopefully creating momentum behind approaches that can garner increased buy-in over time.

Finally, development partners could play a pivotal role in supporting the Sierra Leonean-led private sector development trust mentioned earlier provided they can satisfy themselves as to its credibility, seriousness, dedication, and commitment to stay the course for the long duration.

9.5 Conclusion

This chapter has focused on matters both economic and political in nature relating to private sector development and the prospects for growth of the economy. The policies that the authorities are trying to implement are arguably good enough, although the deep commitment to reforms that would truly reign in corruption and ensure full implementation and monitoring of the policies may be lacking. However, we argue that the answer is not to call on the government to enact more policies to promote private sector development.

While more effort from GoSL is desirable and essential, there is much that non-state actors can and must do too. Even with the best will, implementation capacity across government is weak and will likely remain so for some time to come. Combining this systemic weak capacity with the evidence of entrenched interests wishing to maintain the status quo would lead to an overly pessimistic prognosis of the likelihood of positive change anytime soon.

But opportunities for positive change do exist, though non-state actors will need to engage in concerted, collective, collaborative action to advance their own interests, which are consistent with private sector development and inclusive and enhanced economic growth in Sierra Leone.

Policymakers have assigned to the private sector a lead role in the effort to drive growth, create jobs and improve incomes in the economy. But organized sections of the private sector have yet to bring real leadership to bear to catalyse and drive change.

'Structure is not destiny' (Leftwich 2009, p. 8). In other words, in taking a sober look at institutional constraints, let us not forget the importance of human agency in shaping affairs. Growth is certainly too important to be left to politicians alone. The private sector must be entrepreneurial not just in building successful business ventures but also in fostering the right environment for those ventures to succeed.

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