

Executive Summary: Sierra Leone Country Strategy Note

1. Country Context

Sierra Leone declared the official end of its conflict in 2002, and five years later the IGC-Sierra Leone office was introduced to the country. Initial recovery was impressive with real growth above 6%, rising to 21% at the height of the commodity boom in 2012/2013. Four successive general elections were conducted peacefully, including two where the ruling parties were changed. Notwithstanding these successes, important fragilities remain as evidenced during the Ebola and mudslide crises, such as weak institutions and poor capacity to design appropriate policy responses.

The resurgence in commodity prices began to bear fruit in the country by 2010 when new iron ore mines accounted for over 75% FDI flows. Even more significant, a flurry of activities in petroleum exploration gave rise to expectations of an oil sector boom equivalent to that of Ghana, and prompted a flood of speculative investor activities in the country. This situation inflated a balloon of economic progress that was punctured by the dramatic fall in iron ore prices from over \$150 per ton for the country's low quality ore to \$40 within a 6-month period in 2014. The Ebola epidemic, with its global media coverage, provided the excuse for rapid withdrawal or suspension of speculative investments linked to the oil sector. Many planned projects were suspended ostensibly because of Ebola but in reality, the *raison d'être* for these investments – a petroleum boom – had disappeared with the crash of the oil market. At the same time the Government had embarked on ambitious programmes of infrastructure development that could not be continued. Pressures on the currency ensued and the local currency (Leone) lost over 25% of its value within a six month period in 2015/6. In addition to these issues, the Auditor General's report for the last 5 years contained evidence of misuse and mismanagement of millions of dollars of public funds. Allegations of corruption have become rampant, and the country failed to meet thresholds to qualify for the very generous US Millennium Challenge Account Compact.

As should be expected in such situations, political tensions have increased; the state security apparatus has not allowed civil protests for the last three years, and arrests of opposition figures or activists, albeit for short periods, have restarted. A constitutional review committee was set up, but the recommendations of the committee were not accepted. In March/April 2018, the country conducted its fifth presidential and parliamentary elections after the reintroduction of multi-party democracy in 1996. Though the elections were largely peaceful, there were isolated cases of violence, and the campaigns, particularly for the run-off elections, were marred by tribal and regional rhetoric that has deepened the divide along political, tribal and regional lines.

Accounting for about 50% of GDP and 60% of employment, agriculture continues to be the biggest sector of the economy. There is growth potential if farmers can move out of subsistence and adopt new and improved technology. Prior to the fall in commodity prices, the mining sector, particularly iron ore, accounted for over 60% of exports and about 20% of domestic revenue. However, the fall in commodity prices and its consequences further increased government focus on diversifying

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the economy with a view to limiting the adverse effect of future shocks. Efforts are also being made to encourage public private partnership and promotion of sub-regional trade as well as benefitting from the AGOA provisions. Recently, there is increased commitment to promoting/patronizing as well as improving perception about locally produced goods – the “Made in Sierra Leone” brand. The country office is working closely and encouraging policymakers, particularly the Ministry of Finance and Economic Development, to ensure it is anchored on the broader goal of trade promotion within the sub-region and beyond without necessarily adopting the protectionist policy that largely led to the economic challenges encountered in the 80s.

2. IGC Sierra Leone Country Programme

Since its introduction in 2007, IGC-Sierra Leone commissioned over 50 projects during phase 1 & 2. The vast majority of these are in response to IGC Commissioning Board calls. IGC-Sierra Leone has built up strong relationships with its partners and earned the trust of the Government as a reliable and neutral partner for policy advice on issues relating to the national development strategy and policies. The Ebola epidemic slowed down some projects, and in some cases it even led to the cancellation of such projects. For this reason, a special window was earmarked (off-cycle) to support proposals from Sierra Leone, particularly those responding to the challenges resulting from the epidemic. In addition, the country office benefitted from the impact fund and was also able to mobilise funds from a non-traditional source – Rockefeller Foundation.

The country team is currently located on George Street, in the city centre of Freetown close to ministry offices. The current team composition is as follows: Herbert M’cleod – Country Director; Abou Bakarr Kamara – Country Economist; Niccoló F. Meriggi - Country Economist; Marian Marrah and Momo Tarawalie.

3. Thematic Areas

General elections have been conducted and a new administration sworn in. Transition is ongoing. Since we now have a new party in governance, we expect some radical departure from priorities of the previous administration. Broad policy priorities have been identified, but a comprehensive government strategy is yet to be developed. In view of this the country program does not intend to commission any long-term projects until after the new administration is fully constituted and priorities are clearly identified. In the short term, the focus will be on: completing on-going projects; projects linked directly to the elections; and maintaining evidence-informed policy dialogues/events on critical economic issues. In the medium term, the country programme will continue to focus largely on state capabilities, and firms.

(a) State

Under state capabilities, the country program will maintain its focus on institutional arrangements, decentralisation challenges, and state capacity to deliver services. The program is also expanding to overlap with the Firms portfolio in considering policies to encourage private sector growth and development as well as regional and international trade, and also to look more closely at labour markets and job creation, an agenda that is largely driven by IGC partners both in and outside government. Long-term projects under this portfolio include engagements on community health

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worker policy, how best to structure public service delivery and incentives to public servants, and on starting and scaling up work relating to election debates and party selection of members of parliament to improve the accountability of elected officials. Work may also extend to the re-introduction of more extensive civic education in the national curriculum.

(b) Firms

The Firms portfolio is expanding and is expected to continue to grow over the next few years. This is largely due to increased interest in ongoing work on small-scale mining activities, monitoring large scale agricultural and mining concessions, realities of cross border trade, and the National AGOA Utilisation/Response Strategy. Interest in jobs and inclusive growth has led to investments in labour market work. This includes collaborations with DFID Sierra Leone and the World Bank as well as the commissioning of further research to fill the gap on data and knowledge on the nature of the labour market. This expands on the current IGC research agenda on firms; increasing firms' productivity and competitiveness as well as the state's ability to regulate larger firms. Key projects under this portfolio include the zero budget engagement on developing a strategy for the Ministry of Trade and Industry to utilise the Africa Growth and Opportunities Act (AGOA), as well as what is expected to be long term involvement in the Made in Sierra Leone initiative to promote local production and use of local goods. This excitingly involves collaboration across IGC offices applying lessons from other countries, particularly Rwanda and Uganda. While the focus will remain on state and firms, the country office is beginning to find niche areas for focused policy engagement on energy and cities.

(c) Cities

The country office will continue to pursue engagements on Cities, including the relationship with decentralisation (which relates to state capabilities). Drawing from a Round Table meeting following a public lecture on "Cities that Work" given by the Director of Country Programs during his visit, the country office is exploring opportunities for facilitating better dialogue and engagement between the city councils and the central Government. In collaboration with the Cities that Work team a policy brief analysing the two main approaches (private collection and public collection) to collecting property taxes was prepared and shared with the Ministry of Finance. This will be shared with the new administration and we hope it could be the basis for facilitating early interactions between the city councils and relevant ministries department and agencies (MDAs). Areas for further engagement include property tax, and its possible links to electricity provision. Additional areas to watch include sanitation, housing and slum development, and regulating informal businesses (with links to the Firms theme). On informal businesses, results from the Economics of Ebola Initiative show that informal businesses, largely run by women, were worst hit by the crisis. Upcoming work may consider the benefits of formalisation and/or regulation of the informal sector and making registration and taxation at the city council level easier.

(d) Energy

Follow-up engagements with the Ministry of Energy and the Renewable Energy Association of

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Sierra Leone will take place over the next two years to see how the results of the completed study on renewables can influence policy and can help the Association of private sector operators in solar energy. This fits in with the objectives of the Firms’ portfolio in organising the private sector to play a leading role in using technology for advancing renewable energy use in Sierra Leone. Energy is one of the areas that will be closely followed post-elections to better identify how the IGC can contribute to the new government’s agenda on energy.

The country team is currently working with academics from Yale University, UCLA and Wageningen University on the development of research proposals testing the effectiveness of different solutions aiming at reducing uncertainty about power supply on firm productivity.

(e) State Fragility

In Sierra Leone, fragility is manifested in weak institutional arrangements and capacity, ineffectiveness of decentralisation, low levels of accountability by elected officials, the erosion of any trust between the state and the citizenry, and vulnerability of the economy to price shocks of the commodity cycle. Most of these were revealed during the recent Ebola epidemic which coincide with the fall in commodity prices. Our engagement with the Rockefeller Foundation has also led to more discussion and work around the notion of “resilient” systems and institutions for public service delivery (specifically for health). Moving forward, the country program will approach fragility from the perspective of understanding the nexus between public and private sector, promoting coherent macro-economic policies and encouraging efficiency and competitiveness in the private sector. As regards competitiveness, the limitations imposed by the small size of the domestic market/economy, demand greater importance to sub-regional considerations. Every opportunity will be exploited to take on joint or collaborative work covering the Mano River Union.

4. Engagement Strategy and Collaborations

The IGC will consider the following options among others to deal with the capacity shortcomings mentioned earlier: study tours (as an integral part of a larger project, to let policy makers learn from a comparable country), training (on importance of evidence in policy-making, data collection and management, in partnership with local institutions). Attracting high-profile researchers was made more difficult during the Ebola period, but collaboration with local researchers (e.g. at the Centre for Economic Research and Capacity Building) has been successful. Furthermore the country offices will use roundtables and offer capacity building for local researchers. The possibilities for policy influence through the IGC are attracting international researchers.

Type	Relevant Stakeholders and Partners
Government	Office of the President, Ministry of Finance, Ministry of Health Sanitation; Ministry of Agriculture, Forestry and Food Security (MAFFS); Ministry of Trade and Industry; Ministry of Mines and Mineral Resources; Sierra Leone Investment and Export Promotion Agency (SLIEPA); Political Parties Registration Commission; National Electoral Commission (NEC); National Minerals Agency(NMA), Ministry of Energy
International Organisations	Department for International Development (DfID); World Bank; International Monetary Fund; UNICEF

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Civil Society Partners	Campaign for Good Governance (CGG); National Elections Watch (NEW); Search for Common Ground
Research Institutions	University of Sierra Leone; Centre for Economic Research and Capacity Building (CERCB)
Private Sector	Renewable Energy Association of Sierra Leone (REASL), Sierra Leone Chamber of Commerce, Industry and Agriculture