Job Creation through private sector development, trade promotion and regional integration - Lessons from empirical studies

Freetown, Sierra Leone
April 13 2018
NEW DIRECTION

“A united, peaceful, progressive, dynamic, confident, enterprising and happy nation where the people have unlimited access to jobs, food, education and health services and where there is equal justice and equal opportunity for all.”

From SLPP Manifesto
LABOR FORCE IS INFORMAL, NOT WELL-EDUCATED, PARTICIPATION IS HIGH, BUT SO IS UNDEREMPLOYMENT

• Approximately 90 percent of laborers work in informal sector;
• Nearly 55 percent of working age population never attended school;
• Adult literacy is estimated at 43 percent; and
• Over 65 percent of Sierra Leone’s working-age population—nearly 2 million people—participates in the labor market—women as much as men; but
• Underemployment is high—33 percent of workers would like to work more hours.

THE ECONOMY IS DOMINATED BY AGRICULTURE

SECTOR CONTRIBUTIONS TO GROSS DOMESTIC PRODUCT, 2015

Burkina Faso
- Agriculture: 34.2%
- Industry: 20.2%
- Services: 45.6%

Guinea
- Agriculture: 42.9%
- Industry: 36.9%
- Services: 20.2%

Sierra Leone
- Agriculture: 61.3%
- Industry: 4.8%
- Services: 33.9%
FORMAL WAGE EMPLOYMENT IS TINY

- Working Age Population: 54.7%
- Employed: 58.2%
  - Wage Worker: 9.5%
  - Agricultural self-employment: 59.2%
  - Non-Agricultural self-employment: 31.3%
- Unpaid worker: 4.0%
- Unemployed: 2.8%
- Out of the labor force: 35.0%
WAGE EMPLOYMENT FOUND MOSTLY IN CONSTRUCTION AND MINING. SELF-EMPLOYMENT IN AGRICULTURE.

DISTRIBUTION OF EMPLOYED BY SECTOR AND JOB TYPE

Source: Sierra Leone: Jobs Diagnostic
WAGE EMPLOYMENT IS FOUND MOSTLY NEAR FREETOWN
## ORTHODOX APPROACH

<table>
<thead>
<tr>
<th>Skills</th>
<th>Capital</th>
<th>Skills + Capital</th>
</tr>
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<tbody>
<tr>
<td>• Entrepreneurship and business training&lt;br&gt;• Vocational skills&lt;br&gt;• Apprenticeships</td>
<td>• Microfinance&lt;br&gt;• Cash grants&lt;br&gt;• Gifts for assets</td>
<td>• Capital combined with training&lt;br&gt;Typically involves some coaching in business practices</td>
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</table>
Myth: vocational training as answer to jobs.

Only 3 of 9 rigorous impact evaluations show a significant impact on employment

Simple average across studies show an average increase of 2.3 percentage points, i.e. for every 100 people trained less than 3 will find a job as a result of the program

These programs work better for men

These programs are not cheap

THE EVIDENCE
Myth: vocational training increases earnings

Only 2 of 9 studies show a statistically significant impact on earnings
Change in monthly income ranges from (USD) -5 to +83, with a mean of 19.
All in all, vocational training isn’t delivering higher returns than regular schooling
# Microcredit: Little Impact on Employment

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Bosnia and Herzegovina</th>
<th>Ethiopia</th>
<th>India</th>
<th>Mexico</th>
<th>Mongolia</th>
<th>Morocco</th>
<th>Philippines</th>
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<td>Business ownership</td>
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<td>Business inventory/assets</td>
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<td>Business profit</td>
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<td>Household income</td>
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<tr>
<td>Household spending/consumption</td>
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<tr>
<td>Social well-being</td>
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POSSIBILITIES FOR BUSINESS IN THE AGRICULTURAL SECTOR

Wholefood Earth: Organic Mango Slices
by Wholefood Earth

Price: £13.88 (£27.76 / kg) Debt free at no extra cost for P

Temporarily out of stock.

Order now and we'll deliver when available. We'll e-mail you as soon as we have more information. Your account will only be charged once the product is dispatched from and sold by Amazon. Gift-wrap available.

Note: This item is eligible for click and collect. Details

2 new from £10.89

- Wholefood Earth Has Officially Been Awarded A 5 Star! I'm confident in the quality of your food!
- This exotic superfood is rich in vitamins A, B-complex (e.g. carotene, which the body needs for the formation of vitamin A), and other beneficial ingredients that help maintain the health of the skin and hair.
- The fruit, leaves, roots, stones and even mango seeds contain particularly phenols and flavonoids.
- Certified Organic By Organic Farmers & Growers

See more product details

Report incorrect product information.
POSSIBILITIES FOR BUSINESS IN THE AGRICULTURAL SECTOR

Klarstein Fruit Jerky 8 8-Tiered Food Dehydrator • 630W • 8 Large Drying Tiers with Almost 1 m² • 2 Drying Surfaces • Stable Housing • Temperature Range up to 68 ° C • User-Friendly Operation via Control Dial and 3 Buttons • Non-Slip Rubber Feet • Black

by Klarstein

Price: £129.99
Sale: £99.99
You Save: £30.00 (23%)

This item does not ship to the Netherlands. Learn more

Sold by Klarstein United Kingdom and Fulfilled by Amazon. Gift-wrap available.

1 new from £99.99

Colour: Black 8

- HIGH PERFORMANCE: dehydrator for drying food. Natural food preservation, retains vitamins and minerals. 630 watt power for optimal heating during recirculating air operation
- SPACIOUS: 8 large drying tiers to quickly process large amounts of food. Drying surface of
POSSIBILITIES FOR BUSINESS IN THE AGRICULTURAL SECTOR
POSSIBILITIES FOR BUSINESS IN THE AGRICULTURAL SECTOR

Cocoa Butter 250g - Certified Organic Raw Unrefined Pure

Price: £5.99 (£23.96 / kg) prime

Want it delivered by Thursday, 12 Apr.? Choose Priority Delivery at checkout. Details

Sold by TheSoapery and Fulfilled by Amazon. Gift-wrap available.

Note: This item is eligible for click and collect. Details

2 new from £5.99

- Premium organic, unrefined cocoa butter extracted by pressing only - no nasty solvent extraction
- Our cocoa butter is certified as 100% organic by the Soil Association licence number DA14281
- Experience the amazing natural cocoa scent with this raw cocoa butter
- 100% Natural, no fragrances, chemicals or other nasties!
- Food grade, suitable for chocolate making and baking

Report incorrect product information.
POSSIBILITIES FOR BUSINESS IN THE AGRICULTURAL SECTOR

Fushi Organic Virgin Pure Unrefined Shea Butter, 250 g
by Fushi

Price: £10.18 (£40,720.00 / kg) \text{prime}

In stock.
This item can be delivered to your selected dispatch location in the Netherlands. Details
Sold by Superfooduk and Fulfilled by Amazon. Gift-wrap available.
Note: This item is eligible for click and collect. Details

12 new from £10.00

Pack of 1
£10.18 (£40,720.00 / kg) \text{prime}

Pack of 2
£20.88

Pack of 3
£36.92 (£147.68 / kg)

Pack of 4
£47.31

• Protect, nourish and keep the skin beautifully soft and moisturised
• Rich in essential vitamins A, E and F
TOUGH BUSINESS CLIMATE BUT ONE WITH GREAT OPPORTUNITIES

In addition to Binding Constraints (energy, transportation, finance, telecommunications), Studies for AGOA strategy show:

• Conflicting laws and regulation including incoherence of policies and programmes among supervisory MDAs
  • Revenue collection goals vs export promotion policy – Private companies are subjected to 1% levy of export assessment value of all goods produced in Sierra Leone
  • 2012 Shipping Act: imposition of non-competitive rates on all companies, especially mining companies
• Administrative inefficiencies and bottleneck
  • Letter of authorization from the ministry required for every export
  • Multitude of institutions and overlapping mandates
TOUGH BUSINESS ENVIRONMENT CALL FOR BOLD AND INNOVATIVE MEASURES

• Trade essential
• Inadequate information
  • Sub-regional opportunities and challenges
  • International (successes at informal level point to opportunities)
• Market size and geography
  • Sierra Leone - 7m but MRU, “domestic” market =48 m
  • “Bad” neighborhood – only small giant/ no direct access to landlocked country/poor sister countries etc
POLICY OPTIONS

Binding constraints require medium-term solutions for which actions must start now.

- Review and resolve contradictions in regulatory framework
  - Internal: address incoherence and conflicts in laws
  - External: harmonize with neighboring countries
- Eliminate rules and regulations that unnecessarily raise the cost of doing business:
  - Letter of authorization from ministries
  - Boldly reduce number of institutions in order to cut down inefficiencies. Create a one-stop-shop
  - Eliminate opportunities for rent-seeking behavior in procurement eg. agricultural inputs
POLICY OPTIONS

• Address inadequate market information through strong collaborative among chamber of commerce, SLIEPA, and MTI
  • Make Information access easy (market conditions, prices, rules..)
  • Facilitate links between farmers and the international market (e.g. trade attaches)
• Market size – Lead enhanced regional cooperation
  • Sierra Leone, Guinea, Liberia, Ivory Coast – 48 mln
  • Press Growth Triangles/Value Chain Studies/Joint production and encourage lead by Private Sector
• Corruption
  • Radical measures needed: Pre-empt rather than punish
POLICY OPTIONS (cont.)

CORRUPTION
Immediate:
• Plug holes to reduce leakages
• Focus on Customs and Other Revenue earners

Medium term
• Two areas account for over 75% of problem: procurement and bad contract terms. Impose special control measures and end impunity
• Emphasize transparency at all levels for everything (use public as watchdogs)
• More durable solution is linked to ending impunity and reinforcing Judiciary
Thank you for your attention