

BTI 2008 | Sierra Leone Country Report

Status Index	1-10	5.24	# 76 of 125	
Democracy	1-10	6.05	# 63 of 125	➔
Market Economy	1-10	4.43	# 93 of 125	➔
Management Index	1-10	5.01	# 64 of 125	

scale: 1 (lowest) to 10 (highest) score rank trend

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Key Indicators

Population	mn.	5.5	HDI	0.34	GDP p.c.	\$	717
Pop. growth ¹	% p.a.	3.5	HDI rank of 177	176	Gini Index		62.9
Life expectancy	years	41	UN Education Index	0.45	Poverty ³	%	74.5
Urban population	%	40.7	Gender equality ²	-	Aid per capita	\$	63.5

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Having ended its bloody, devastating eleven-year war in January 2002, Sierra Leone underwent a three-year phase of internationally supported grassroots movement toward economic, social and political stabilization. Since 2005, further stabilization and consolidation have been required, as much of the country's economic and political system has had to be reconstructed or restored. Sierra Leone's political system and the ongoing peace process remain fragile, and the country has yet to build reliable structures for socioeconomic sustainability, steady growth and effective poverty reduction.

The roots of violent conflict, including corruption, mass poverty, disaffection of the youth, but also a general vulnerability to globalization, remain firmly planted in the country. The tasks ahead at the end of the period under review cannot be overestimated. Sierra Leone still has a long way to go in laying down the foundations of credibility and sustainability, on which successful processes of political and economic transformation must be based. If the leadership does not succeed in this endeavor, renewed violence is likely.

Political stabilization and consolidation in Sierra Leone has been built largely on the cooperation between the Sierra Leone People's Party (SLPP) government of President Ahmad Tejan Kabbah and the international community, which gave significant financial and technical support to preclude a resurgent wave of violence. As the "darling of the donors," the SLPP-led government gained widespread support among most Sierra Leoneans hoping to see substantial improvement to their low living standards as a result of foreign money inflows. The government's legitimacy has been reinforced by transparent elections from 2002 to 2004 at the national presidential, parliamentary, chieftain and local levels. Consequently, Sierra Leone has been able to initiate a gradual process of rebuilding basic institutions and stimulating low-level

capacity-building, which means that the country is recovering slowly from its near failed state status. While British support played a key role in establishing a new army and police, a massive UN peacekeeping mission (UNAMSIL) helped restore state authority and stateness in Sierra Leone. UNIOSIL, a UN peace-building mission, replaced the much larger UNAMSIL at the end of 2005. Though apparently more stable, Sierra Leone remains dependent on external support to continue the stabilization and consolidation process.

Sierra Leone has achieved a degree of socioeconomic stability by disarming, demobilizing and reintegrating tens of thousands of former combatants, and resettling and reintegrating much of the hundreds of thousands of displaced persons. Thanks to a focus on rural development and grassroots efforts, the country's basic physical and economic infrastructures have been reconstructed. Throughout all of this, Sierra Leone has remained heavily dependent upon external assistance of any kind, including development aid and debt relief. The IMF, the World Bank and international donors have supported economic stabilization. Economic recovery came from the very bottom up via high growth rates that lifted Sierra Leone's real GDP in 2007 to about 70% above that of early 2002. However, the country is still burdened by high poverty and unemployment levels. Measured in terms of the UNDP Human Development Index (HDI), Sierra Leone still ranks at the bottom of the poorest nations in 2005 and 2006. Given the poor state of development, the war-ridden country has a long way to go before it may have the attributes of a fully developed democracy and a socially integrated market economy.

The government's management and steering capabilities in promoting economic as well as political transformation are still limited. Measures taken to democratize as well as liberalize and deregulate the economy are often responses to external (IMF, World Bank, donor) pressure rather than the result of proactive government action. Policies stimulating development should include the empowerment of women, youth and children as well as a campaign against the mentality of corruption. Education, which plays a key role in both empowerment and the fight against corruption, should also be emphasized in government policy.

History and Characteristics of Transformation

Low levels of economic, social and political development have limited Sierra Leone's ability to take significant and sustainable steps toward transformation. As a consequence of British colonialism, the country's prospects were burdened from the start with structural constraints, including the high dependency of state revenues on the export of agricultural and mineral products. The country and its population also suffered from excessive corruption, mismanagement and authoritarian – periodically

military – rule which eventually became a major political and economic crisis factor itself. In the end, the country was brought to its knees by a disastrously bloody and disruptive eleven-year war from March 1991 to January 2002.

The war spilled over from neighboring Liberia in 1991 through the domestic, essentially youth-based Revolutionary United Front (RUF) rebel movement in collaboration with then-Liberian warlord Charles Taylor, who sought to get hold of Sierra Leone's diamonds and fuel a violent struggle for power in what he called a "Greater Liberia." In Sierra Leone, the RUF, led by Foday Sankoh, tried to capitalize on the widespread disaffection resulting from corruption, repression, mass poverty, and severe social inequalities. Given the extremely adverse working and living conditions of a large portion of the rural population in the regions bordering Liberia, it was very easy for Taylor's and Sankoh's armies to recruit local, especially young people who were ready to fight for betterment. In addition, quite a few people were recruited by force in the course of the war.

The war reshaped, complicated and brought to chaos a process of political transformation, which had begun in 1990 following the end of the Cold War. The authoritarian regime of Joseph Momoh, who succeeded the dictatorship of Siaka Stevens in 1985/1986, was then forced to abolish the two-decade one-party rule of the All People's Congress (APC) and to introduce a new democratic constitution and a multiparty system in 1991. However, the war destabilized the country and undermined democratization to such a large extent that a military regime took over in 1992. The regime of Captain Valentine Strasser, which pretended to promote democratization, was neither able nor willing to buttress political transformation when the war gained momentum. As disappointment and political unrest grew in Freetown, the military regime finally collapsed in a "palace revolt" in early 1996. Influenced by external (donor) pressure, Strasser's successor, General Julius Maada Bio, saw no choice but to pave the way for democratic elections based on the 1991 constitution. The poll brought to power President Kabbah and the Sierra Leone People's Party (SLPP), which had already ruled the country from 1958 to 1967.

The elections, however, were poorly planned and lacked legitimacy; much of the population was either displaced or unable to register as a result of war. Subsequently, Kabbah was overthrown in a coup d'état in 1997. Yet, the ugly repressive military junta of Johnny Paul Koroma, who invited Sankoh's rebels to join his government, was overthrown after only nine months by a Nigerian-led external military intervention in 1998. Kabbah and the SLPP returned to power. However, the government survived renewed bloody attacks by Sankoh's rebels in 1999 and 2000 only because of foreign intervention. As of 2000, troops sent by the former colonial power Great Britain effectively crushed the military capacity of Sankoh's fighters. An international peacekeeping force, the United Nations Mission in Sierra Leone (UNAMSIL), in collaboration with the British military, restored a modicum of security, stability and stateness to the country, which had come close to becoming a failed state in the course

of the war. Kabbah was able to formally declare the end of the war in January 2002 and to organize new elections in May of the same year. The president and his party won approximately 70% of the vote. In contrast to 1996, the polls were almost all-inclusive, legitimizing the government to rule the country for another five years, up to 2007. Kabbah's willingness to and demonstrated capability in ending the war coupled with his image as the "darling of the donors" largely accounted for his electoral victory. The majority of the population was convinced that Kabbah's good relationship with the donors would result in the inflow of foreign financial and technical assistance that was necessary to bring peace and prosperity to the country, which they desired most.

Following the 2002 elections, Sierra Leone's political system, stateness and democratization process were to be gradually consolidated. As part of the decentralization process, the local elections of May 2004, which gave the SLPP another 70% majority, further deepened the democratization process. Postwar political stabilization and transformation was also facilitated by stated attempts to fight corruption, promote human rights and enforce the rule of law. Despite shortcomings, the peace process has been successful enough to allow the phasing out of UNAMSIL, which had grown to more than 17,000 international troops at the height of its intervention, by the end of 2005. From January 2006, a much smaller political mission, the United Nations Integrated Office in Sierra Leone (UNIOSIL) continued to assist the peace process in the country.

There are three key political parties and leaders in the next presidential and parliamentary elections scheduled for July 2007: the ruling SLPP, now led by current Vice-President Solomon Berewa, the major opposition party, All People's Congress (APC), led by Ernest Bai Koroma, and a new party split from the SLPP, the People's Movement for Democratic Change (PMDC), which is led by former Minister of Internal Affairs, Charles Margai, whose family has had deep roots in the SLPP establishment for decades. Since Kabbah is constitutionally barred from running for another term as president, the political future of the country appears once more to be at stake, given the large amount of personalized power he gained in the course of his rule.

While political transformation gained momentum in the postwar period, economic transformation progressed very slowly despite high GDP growth rates. In the first place, growth largely meant that some reconstruction and restoration had been initiated in order to rebuild the war-ravaged country. Although the government took steps to reshape the legal environment of the economy in a way that would theoretically promote the emergence of a market economy, the inflow of foreign money in the form of loans and investment was too small to stimulate the economy beyond mere reconstruction. For years, diamonds, which had become a major source of foreign exchange and finance during the war, remained the single most important factor in the export economy. It was not until 2006 that prewar sources of foreign exchange, such as the mineral products rutile and bauxite, were resumed when foreign investment began to materialize. In the same year, Sierra Leone was able to gain access to substantial

debt relief according to the Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Reduction Initiative (MDRI) of the IMF and the World Bank. Both institutions are driving forces behind international pressure on Sierra Leone to develop a free-market economy, which would bring to a halt the “informalization” of the economy that has been accelerated by war and the postwar situation of poverty and unemployment.

The IMF, World Bank and the donor community that set the political framework for Sierra Leone’s economic transformation have been pressuring the country to transform long before the war. During the war, Sierra Leone committed itself to IMF conditionality and concluded loan agreements with the IMF once under the Strasser military regime (1994) and three times under Kabbah (1996, 1998 and 2001). Owing to his restated commitment to IMF policies, Kabbah was able to conclude another PRGF agreement with the IMF in May 2006, which was a precondition to wide-ranging debt relief arrangements concluded in December 2006. The effectiveness of the debt arrangement remains dependent upon Sierra Leone’s willingness to implement IMF conditionality, which means fiscal discipline, anti-corruption policies, inflation containment, liberalization of all sectors of the economy, the promotion of the private sector, the privatization of state-owned companies and also poverty reduction policies. These policies are based upon the Poverty Reduction Strategy Paper (PRSP), which the government adopted in June 2005.

Transformation Status

I. Democracy

1 | Stateness

During the war, Sierra Leone's stateness, institutional structures, overall security and territorial integrity had been seriously undermined. With international support, the postwar country is undertaking a difficult and sometimes disillusioning process of reconstructing the state, restoring stateness, promoting capacity building and rehabilitating institutions at the national, regional and local levels. Tens of thousands of refugees, internally displaced persons and ex-combatants have been reintegrated into civilian society, new internal and external security forces have been formed, and core administrative structures and institutions have been re-established. As of now, the state's monopoly on the use of force and its fundamental administrative and security infrastructure extend throughout the entire territory of the country again, but they remain deficient and highly dependent on external assistance. Without continued external assistance, stateness would still be extremely vulnerable to armed groups, which may be constituted, for instance, by the remnants of the dissolved RUF militia.

Monopoly on the use of force

Despite its violent history, the nation-state's legitimacy is currently not questioned in principle. Most people enjoy the same citizenship, and there is a shared sense of being part of the Sierra Leonean state and civil society. Nevertheless, there are divisions between north and south, between Muslims (about 60% of the population) and Christians (20%), and between the Temne (north) and Mende (south) each of which make up about 30% of the population. Other ethnic groups (among a total of about twenty groups) include the Limba (in the north) and Krio (mainly Freetown peninsula). Ethnic loyalty remains an important factor in the government, armed forces and business. Ethnic discrimination and rivalry remain sources of conflict and distrust.

State identity

The constitution provides for the separation of religion and the state. Religion does not play a significant role in defining and legitimizing state and political power or in designing laws. The overwhelming majority of both Muslims and Christians view religion as a private sphere separate from politics. However,

No interference of religious dogmas

owing to the large percentage of Muslims in the country, Sierra Leone chose to be a member of the Organization of the Islamic Conference (OIC). President Kabbah also maintains a good relationship with Libya and its leader Muammar al Qhadafi, who propagated a self-styled version of Islam in his “Green Book.” The leverage of political fundamentalist or extremist Islam has not been very strong in Sierra Leone so far, but may be growing, due to disaffection among the population, especially the youth.

Owing to the rebuilding of state institutions and ongoing attempts at capacity building after 2002, basic administrative structures are formally existent throughout the territory of the country, although they are not functioning adequately, due largely to clientelistic structures and corruption at all state levels.

Basic
administration

2 | Political Participation

Under the constitution, mechanisms of political participation are formally in force. Universal suffrage and the right to campaign for office are guaranteed by constitutional and legal regulations. Following the smoothly conducted 2002 presidential and parliamentary elections at the national level, transparent local elections were held in May 2004. These elections were designed to stimulate the process of decentralization and to bolster up stateness in the hinterland. However, de facto restrictions to the eligibility of a large part of the population exist as a result of poverty and the lack of resources to enable candidature and campaigning. In addition, there are limitations on access to media presence and coverage. As a result of disillusionment, voter participation was significantly lower in 2004 than in 2002, when a record ballot of 83% of registered voters had been reported.

Free and fair
elections

Given the almost 70% vote for the Sierra Leone People’s Party (SLPP) at the national and local polls of 2002 and 2004, the government of President Ahmad Tejan Kabbah is endowed with formal democratic legitimization. Thanks to its electoral as well as massive external economic, political and security support, it is able to effectively govern the country. Historically, however, the military and rebel militia were established as major veto powers. While the militia were defeated and disarmed by British and United Nations troops, the military and the police were restructured, trained and ideologically “de-politicized” with external (mostly British) assistance. Whether the military and former militia fighters will be ready to accept the primacy of democratically legitimized state authorities has still to be proven, when major economic and/or political crises occur in the country.

Effective power
to govern

Citizens are able to form parties or civil society organizations freely and without major restrictions. However, ethnic and regional cleavages play a role in the

Association /
assembly rights

process of participation. Major political parties – for instance, the ruling SLPP, opposition APC, SLPP-offshoot PMDC, and the Peace and Liberation Party (PLP) – are based in ethnic-regional strongholds (Mende/south, Temne/north, Mende/south, Krio/Freetown respectively). The opportunity to participate in the democratic process is not independent of social status and gender. There are major gaps between rich and poor, urban and rural areas as well as men and women when it comes to the issue of participation and representation.

Freedom of expression, press, assembly and religion, as well as civil and political liberties are guaranteed by the constitution. However, there are de facto restrictions, concerning, for instance, the coverage of high-level corruption, which provokes state repression if reported upon. Although the media, especially a number of the more than two dozen newspapers, openly and routinely criticize the government, extensive media harassments occur. In 2006, Sierra Leone ranked 125th among 194 countries in Freedom House’s Global Press Freedom Ranking and 103rd among 168 countries (“partly free”) in the World Press Freedom Ranking of Reporters Sans Frontières (RSF).

Freedom of
expression

3 | Rule of Law

The 1991 constitution provides for a clear de jure separation between the state powers, including the judiciary. However, in many respects, there is a de facto lack of separation of powers, owing to the octopus-like approach of the executive power to influence, and put pressure upon, the legislative and the judicial powers.

Separation of
powers

Sierra Leone initiated reform of the judicial system with external assistance, mainly the United Kingdom Department for International Development (DfID). In 2006, legislation was passed to further improve the judicial system. Currently, Sierra Leone has a legal framework to ensure the rule of law, in theory at least. There is evidence that the Sierra Leonean judiciary has demonstrated independence in a number of cases, and a number of trials have been free and fair. Moreover, rural courts supplement the judiciary of the “modern” state in cases involving family law, inheritance, and land tenure. However, corruption, deficiently qualified personnel as well as scarce resources, among other factors, continue to impede the judiciary from pursuing a credible and enduring rule of law.

Independent
judiciary

The general impression is that there is still a high level of impunity for officeholders and other state actors when it comes to the reproach of arbitrariness, misadministration, and corruption. Sierra Leone falls extremely short of a systematically applied legal mechanism that is valid in these matters without exception.

Prosecution of
office abuse

The 1991 constitution guarantees civil liberties and human rights. The promotion and protection of human rights has been formulated as the stated objective of the Kabbah government. A milestone has been set in legal terms by the Human Rights Commission of Sierra Leone Act (2004), which provided for a commission to promote human rights and to report about violations. The respect of human rights was also on the agenda of the Truth and Reconciliation Commission (TRC) and the UN-mandated Special Court for Sierra Leone (SCSL), which were both established after the end of the war and have dealt with war crimes and crimes against humanity. Despite these positive data, serious shortcomings in the area of civil liberties and human rights persist. As a prominent example, now-opposition politician Charles Margai, who chose to leave the SLPP and to form the PMDC, has been temporarily arrested, again and again. Human rights transgressions are particularly salient for women and children, many of whom suffer from female genital mutilation (FGM), human trafficking, and forced labor. While the state fails to offer adequate protection in these cases, there is also a vast gap in the protection against human rights violations such as FGM inherent in religious or traditional African cultures. While this failure to protect against human rights violations is partly due to the state's paltry financial and technical capabilities, the reluctance to interfere with the influence of religious and traditional culture is also fueled by the fear of losing support among the traditionally socialized parts of the population, which can be an important issue when it comes to elections.

Civil rights

4 | Stability of Democratic Institutions

The institutions of the executive and legislative branches, the government and parliament, are constitutionally democratic and relatively stable based on the overwhelmingly clear victories of Kabbah and the SLPP in the national and local elections of 2002 and 2004. Although democratic institutions exist, they are not capable of performing adequately in terms of political and economic transformation. The stability of institutions is undermined by clientelism and corruption in the ruling party and the state apparatus, which threaten to erode the democratic legitimacy of the institutions in general.

Performance of democratic institutions

At present, a majority of political actors clearly accepts the democratic institutional framework. Although a significant part of the population is aware of politico-administrative weaknesses, they currently do not call into question the legitimacy of these institutions as such. But the legitimacy of the institutions cannot be taken for granted, and increasing disaffection among the population could bring about a major downturn in this respect. Moreover, the renewed political ambitions of factions in the rebuilt military could potentially prove a matter of concern, given the armed forces' tradition of taking over in the event of a serious political crisis.

Commitment to democratic institutions

5 | Political and Social Integration

The 2002 national elections and 2004 local polls reinforced and stabilized the multiparty system based on the 1991 constitution. Given the deep desire of the population to end the bloodshed and given Kabbah's backing by the international peacekeeping forces, the president and the SLPP won 70% majorities across the country both in 2002 and 2004. In 2002, the APC gained and consolidated its position as the strongest opposition party in the country. International observers expect a struggle for power between these parties in the July 2007 elections and the PMDC, which split off from the SLPP in 2005, is also expected to demonstrate its political force. In all, more than twenty political parties have been officially registered, but the large majority of them fall far short of popular support. There is a clear distinction between the parties in terms of ethno-regional roots and constituencies. The SLPP is relatively solid with regard to organizational resources and institutional structures. It displays a programmatic profile as a force promoting democracy and a free market economy. However, compared to the standards of developed countries, the SLPP is weak in all of the aforementioned arenas, and other political parties in Sierra Leone are even weaker. Most parties are committed to constitutionalism and peaceful activity, but inter-party and intra-party rivalries remain significant. Many analysts expect the SLPP succeed in the 2007 elections again.

Party system

The Kabbah government itself attributes an important role to civil society through a "Consultancy for Enhancing Interaction and Interface between Civil Society and the State to Improve Poor People's Lives" (ENCISS) program. Sierra Leone is endowed with a growing number of civil society organizations and pressure groups that encompass the areas of business, trade unions, women's rights as well as human rights. However, the organization of interests as well as the leverage to interfere with politics is largely an urban and also essentially a middle- and upper class affair. Important interests, particularly those of the rural population, women and the poor, remain critically under-represented at the national level.

Interest groups

Given the lack of representative survey data, citizens' consent to democracy cannot be adequately evaluated. A relatively high voter participation in 2002 and 2004 may indicate that a large majority of the population is generally in favor of democracy. However, the decrease of voter participation from 2002 to 2004, as well as developments such as criticism of the government may be indicative of a downward trend. Five years after the end of the war, many Sierra Leoneans are increasingly discouraged, complaining of rampant corruption, a badly deficient infrastructure, a gross lack of jobs and overwhelming poverty.

Consent to democratic norms

The large majority of the population relies on informal sector and subsistence agriculture activities to survive. Extended families, village communities and

Associational activities

women's groups are major frameworks of solidarity and self-organization. Within these forms of self-organization, interpersonal trust appears to be high. Yet, as a result of the war, and despite the officially propagated perspective of reconciliation, mistrust among at least significant portions of the population remains strong.

II. Market Economy

In 2002, Sierra Leone re-emerged from a disastrous war that had seriously disrupted the economy. Although the economy showed some stabilization and considerable growth rates in the years following the war's end, subsistence agriculture and the informal sector, supplemented by international humanitarian assistance, remain the basic factors to contribute to the survival of a mostly poor population. Diamonds and some agricultural crops, such as cocoa, are the main products earning foreign exchange. In cooperation with foreign companies, mining of other important mineral products such as rutile is being rehabilitated. Moreover, the government is looking for foreign investment to develop new export products such as offshore oil and gas. As one of the least developed countries, Sierra Leone will remain vulnerable to fluctuations in the world markets of its major export and import products in the foreseeable future. Reconstruction, rehabilitation and development are possible only with sustained external financial and technical assistance. To qualify for external support, including access to substantial debt relief, the Kabbah government cultivated a good relationship with the IMF, the World Bank and the donor community. Theoretically, Sierra Leone's economy is moving straight towards a free market economy, which usually tends to attract private foreign capital. However, the structural weaknesses and the damages of war remain major impediments to foreign investment.

6 | Level of Socioeconomic Development

Sierra Leone has traditionally occupied the weakest positions in the annually published UNDP Human Development Reports. In 2006, it ranked second to last of 177 countries, moving up from the very last position in 2004. Sierra Leoneans suffer from mass poverty, widespread malnutrition, high infant and child mortality rates, a low life expectancy, a badly deficient infrastructure, a poor education system, and insufficient availability of even basic medical services to cope with tropical diseases, malaria, tuberculosis and HIV/AIDS. The economic foundation is so weak that thoughts of self-sustained development and growth seem utopian. A large portion of the population's survival is dependent on

Socioeconomic
barriers

economic, social and medical services provided by international agencies, including NGOs. Social exclusion is a reality for the overwhelming majority of the population.

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	936	990	1,071	1,193
Growth of GDP	%	27.4	9.2	7.4	7.5
Inflation (CPI)	%	-3.3	7.6	14.2	12.1
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	1.1	0.9	5.7	4.9
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	-73.2	-82.8	-99.1	-102.9
Public debt	\$ mn.	1,260.0	1,417.7	1,509.6	1,420.4
External debt	\$ mn.	1,439.7	1,603.5	1,727.8	1,681.8
External debt service	% of GNI	2.4	2.6	2.6	2.1
Cash surplus or deficit	% of GDP	-8.3	-5.6	-2.5	-
Tax Revenue	% of GDP	11.4	11.5	11	-
Government consumption	% of GDP	16.4	15.3	13.6	12.9
Public expnd. on edu.	% of GDP	4.8	4.6	4.2	3.8
Public expnd. on health	% of GDP	2.2	2.0	2.0	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.7	1.8	1.2	1.0

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

Ever since the Kabbah government began committing itself to IMF-style policies as early as 1996, Sierra Leone has been taking steps to develop a market economy. In May 2006, after a lengthy period of arm-twisting with the IMF, the World Bank and donors, the government was able to present the conclusion of a three-year PRGF agreement that is largely based on a Poverty Reduction Strategy Paper (PRSP) of 2005 which, inter alia, highlights the interaction between poverty reduction, growth and market economy policies. With the Investment Promotion Act (2004), Sierra Leone set incentives to attract more private capital, especially from foreign investors. However, the institutional framework to pursue market economic policies remains weak, while the informal sector is gaining momentum. Resident Lebanese businessmen invest a significant share of domestic private capital.

Market-based
competition

In line with IMF conditions, Sierra Leone is politically committed to abolish state monopolies and oligopolies in strategic sectors such as energy, telecommunications and transport. Yet, institutional incapacities, clientelistic networks in the state apparatus, the economy's structural weaknesses, rampant corruption and low turnout of potential investors adversely affect the implementation of liberalization policies. It is extremely difficult in the Sierra Leonean socioeconomic context to pursue coherent and effective anti-monopoly policies.

Anti-monopoly
policy

Foreign trade and foreign exchange regimes are largely subordinate to market mechanisms. According to the WTO, only few import prohibitions and restrictions are maintained for health, safety, security and environmental reasons.

Liberalization of
foreign trade

Both the war and the country's overall low socioeconomic development are to blame for the absence of an efficient financial sector and functioning capital market. Since 2002, however, the banking sector has grown substantially, thanks to the rise of new banks and the re-emergence of banks established before the war. In all, there are now a dozen banks and a number of non-bank financial institutions, all of which are concentrated in Freetown. In addition, the country is developing a micro-finance sector that is promoting small-scale business, especially in rural areas. In sum, however, the lack of capital seriously limits prospects for socioeconomic reconstruction and development. The banking system and capital market are poorly developed and regulation and supervision by the central bank remains inadequate. The central bank itself lacks autonomy to be an effective player in supervising monetary, exchange rate and credit policies.

Banking system

8 | Currency and Price Stability

Due to prewar corruption, war and mismanagement, Sierra Leone has a long tradition of high inflation and monetary instability. The Kabbah government has been able to reduce, temporarily, year-on-year inflation to single-digit percentages. The government has stabilized the national currency (Leone), through strict fiscal and monetary policies, liberalizing the foreign exchange regime and ensuring a heavy inflow of external financial assistance. Though controlling inflation and an appropriate foreign exchange policy are recognized goals of economic policy, this has not proven to be enough of a stabilizing factor in the country's economic development. For instance, inflation oscillated between 11 and 14% from 2004 to 2006. Double-digit inflation not only puts serious pressure on the real income of the mostly poor population but also tends to weaken the exchange rate and to impair the prospects of the economic consolidation process.

Anti-inflation /
forex policy

During the review period, the government repeatedly stated its commitment to sound and tight fiscal and debt policies, but the state's resource base is too weak to allow a balanced budget and for it to service its debts without massive external support. The gap between domestic revenue and expenditure is high, which is an important factor contributing to the acceleration of inflation. The burden on the national budget was lifted by Sierra Leone's good relationship with international donors, which made it possible for the government to gain substantial debt relief. However, it took Sierra Leone as much as five years to get promoted from the status of "decision point" to "completion point" of the IMF's and World Bank's Heavily Indebted Poor Countries (HIPC) initiative in December 2006. About 90% of the country's debt, amounting to about \$1.6 billion, will be cancelled in a series of deals with creditors including the World Bank. If the program based on IMF conditionality works well, the deals will leave Sierra Leone with an external debt of just \$110 million, compared to \$1.7 billion at the turn of the year 2004.

Macrostability

9 | Private Property

Property rights and the transfers of capital and investment income are formally guaranteed. Moreover, the Kabbah government developed a range of incentives, including tax exemptions, to attract private capital, and there is a program to privatize state-owned companies. However, according to the Heritage Foundation, private property is weakly protected in Sierra Leone given its corrupt and inefficient judicial system; the risk of expropriation for private foreign capital, on the other hand, seems to be very low.

Property rights

According to official government policies, private companies are supposed to form the backbone of the economy. However, there are still several state

Private
enterprise

companies and strong market concentrations such as oligopolies in Sierra Leone. The de facto business climate for private investors remains burdened with obstacles and risks, including corruption and inefficiency in the judicial and administrative systems, a dilapidated infrastructure and a still fragile political environment. Moreover, the program of privatization, introduced in 1998 and reshaped in 2001, progressed slowly due to political obstacles and the structural limitations of the war-ravaged economy.

10 | Welfare Regime

In Sierra Leone, most people have to rely on family and community structures as the social basis of survival. Subsistence agriculture, the informal sector and international humanitarian assistance are the framework of the living conditions of a large majority. There is a very basic public social insurance system, the National Social Security and Insurance Trust (NASSIT), which, according to regulations introduced in 2001, covers some of the costs associated with old age, disability, survivors (e.g., orphans), work injury, sickness and maternity. In June 2006, President Kabbah launched the Social Safety Net Scheme, which is connected to NASSIT and specifically directed to the needs of poor and vulnerable groups, including disabled persons, widows, widowers, orphans, and children separated from their parents during the war. Projects in the social, health and education sectors are conducted by the National Commission for Social Action (NaCSA), which was created in 2002. In all, the welfare sector remains heavily dependent upon international assistance in financial and technical matters.

Social safety nets

Equal opportunities for the country's inhabitants do not exist. About 70% of Sierra Leoneans live in poverty. The massive disparity of income distribution has been, and remains, a major source of conflict in the country. Poor people, people with disabilities (often a consequence of war) and women are heavily discriminated against. There are also strong biases in terms of ethnicity when it comes to economic opportunities, social equity and political influence.

Equal opportunity

11 | Economic Performance

Owing primarily to the rehabilitation of basic agriculture and the boom of the informal sector, Sierra Leone has displayed high rates of growth since 2002. Rates slowed down, however, to single-digit numbers in the region of 7% per annum from 2004 to 2006, with just above 6% projected for 2007 and 2008 respectively. While growth rates as such seem quite impressive, the GDP per capita increased from \$202 to \$241 in current prices or from \$840 to just above \$1,000 in purchasing power parity (PPP) terms. The first postwar phase of renewed growth was largely due to the resuscitation of sectors and regions that

Output strength

had been utterly destroyed or almost destroyed as a consequence of massive violence and the vast numbers of displaced persons. Large-scale resettlement and reconstruction, increases in land under cultivation, a rebounding private sector, and the growth of donor-financed imports have propelled recovery.

During the postwar period as a whole, the increase in GDP was much more a matter of reconstruction- and rehabilitation-related growth than sustainable development- and transformation-prone growth. Performance in terms of development and transformation has been disappointingly weak. The dynamics of the economy remain generally limited, owing to a very low extent of diversification. During the period under review, foreign exchange income was still heavily dependent upon a single product, diamonds, which contributed 68% of export earnings in 2005. Rutile and bauxite operations, which had been major prewar foreign exchange earners but shutdown during the war, were restored only in late 2006. Other products such as oil and agricultural crops have still to prove their potential. According to very rough estimates, agriculture contributes approximately 60%, mining 20%, and services 20% of the GDP. By contrast, the manufacturing sector is extremely small and employs only about one percent of the labor force

A major factor of concern is the rate of investment, which, as measured against the GDP, remains relatively low and too erratic for a country in urgent need of rehabilitation and growth. The staggering and unreliable developments of the export and import growth rates do not support optimistic outlooks, either. The external current account deficit increased from below 5% of GDP in 2004 to about 7% of GDP in both 2005 and 2006, due in part to a substantial increase in the value of petroleum imports. In sum, Sierra Leone remains largely dependent upon and vulnerable to developments on the world markets of its major export and import products.

12 | Sustainability

Environmental issues are of second-degree importance in political decision-making, given the general challenge of socioeconomic reconstruction and development, which includes the need to develop export products as sources of foreign exchange as well as the urgency of providing basic needs for the mostly poor population. Although there is awareness of environmental problems, legislation, decision-making and action are still geared towards short-term survival rather than long-term sustainability.

Environmental
policy

The state of education in Sierra Leone is poor-to-deplorable as a result of the war. Both the war and prewar neglect account for low literacy rates. In 2004, only 46.9% of men and 24.4% of women were able to read and write, according to

Education policy
/ R&D

UNDP data. Although reconstruction and rehabilitation of the education system began before the war's official end, all levels of institutions for education, training, research and development remain sub-par. Educational standards are dismally low and no research and development sector of any developmental significance has been established so far. At the grassroots level, education, including vocational training, is offered to the population, with external assistance.

Transformation Management

I. Level of Difficulty

The level of difficulty for transformation in Sierra Leone is extremely high. The structural political and socioeconomic constraints on governance are massive as corruption and mismanagement, which arise from the problems associated with structural constraints, exacerbate them further. The country is highly vulnerable to external economic and political developments and struggles in general with the challenge of globalization, which tends to disadvantage developing countries. The most serious domestic constraints include mass poverty, deficient infrastructure, the lack of economic diversification (including the generation of foreign exchange) and the extremely low level of qualifications among the economically active population. Major external problems result from the unclear economic and political prospects of conflict-ridden neighboring countries Liberia, Côte d'Ivoire and Guinea.

Structural
constraints

Traditions of civil society are not well developed. However, more recently, activist individuals and organizations have been encouraged by the prospects of democratization. A landscape of civil society organizations now exists, but scarce resources and low political leverage plague many organizations. Moreover, the culture of civic participation is rudimentary and remains largely concentrated in and confined to the capital city of Freetown.

Civil society
traditions

Sierra Leone is riven with strong regional and social divisions, which are also reflected in the ruling and major opposition parties. Historically, the disaffection of the poor, especially the youth, had been a major cause of conflict and war, luring combatants into the RUF rebel movement. Since the root causes of conflict have yet to be resolved, renewed violence is a possibility, although the RUF is no longer politically relevant. The political party that emerged from the RUF failed to win enough votes in the 2002 elections to gain footing in civilians' political life. Currently, political parties in Sierra Leone tend to underestimate the political powderkeg of poverty, disaffection and frustration. The ruling SLPP is preoccupied with maintaining its power base among the Mende, in the south and expanding its popularity to other parts of the country. Although poverty reduction is high on the SLPP's official agenda, the party tends to pursue

Conflict intensity

policies of patronage and clientelism rather than follow a broad-based approach to improving living conditions and providing assistance to the overwhelming majority of impoverished people (70%). As the major party in the north, the APC capitalizes on the shortcomings of government policies, but does so largely rhetorically rather than honestly. Though Sierra Leone has had a de facto two-party system since 2002, there are signs of a more heterogeneous party system emerging from the 2007 elections. In general, inter- and intra-party political rivalries as well as power struggles between ambitious political individuals seem to be on the rise, which could contribute to potential violence.

II. Management Performance

In dealing with the serious consequences of the war as well as the long-term effects of prewar corruption and misadministration, the major political decision makers officially show high commitment to economic and political transformation goals, including good governance, capacity-building and economic restructuring. However, in reality, corruption, mismanagement and inefficiency persist, and powerful vested interests hamper socioeconomic development, thus counteracting economic and political transformation. Moreover, from the point of view of the Kabbah government, maintaining the SLPP's power has been a strategic priority, which means that political actors take into account the influence of vested interests in the process of decision-making and action. Resource efficiency and consensus-building are deficient. The government's performance in international cooperation is good in its theoretical approach, but mixed when it comes to realizing policies.

14 | Steering Capability

Steering capability is dependent to a large extent upon the personal capabilities of President Kabbah, whose rule increasingly resembles a system of personalized power. Apart from the president, who gathered management experience as a former employee of the United Nations, there are few leaders in the country demonstrating much in the way of steering capability. The organizational and institutional structures designed to promote and enhance steering capability are weak. Rather than exercise its own capabilities in administrative and economic management, the government depends on the IMF, World Bank, UNDP and other international actors. The government lacks the capability and qualified personnel in the areas of administration and security to rule the country effectively without external support. The political leadership tries to pursue long-term aims, but it quite often tends to act against its stated objectives in order to

Prioritization

appease domestic vested interests. The leadership seeks to build democracy and a market economy, but its strategic aims are not commensurate with the country's situation, problems and needs. Very often, attempts at reform are corrupted by contradicting interests of individuals and groups.

By and large, the political leadership shows awareness regarding the objectives of constitutional democracy as well as a socially responsible and ecologically sustainable market economy, but falls short of executing policies derived from these insights. Thus, it has only limited success in implementing its announced reforms.

Implementation

The political leadership responds to mistakes and failed policies with changes and adjustments, but does so mostly as a result of IMF, World Bank and donor pressure and influence. External actors rather than domestic insights (that are impeded by the power of domestic vested interests) force learning processes upon the political elite.

Policy learning

15 | Resource Efficiency

Due to the power of vested interests, the government is not able to use all available resources efficiently, although international donor pressure to improve resource efficiency remains very high. Both the United States and the United Kingdom have a strong political interest in cultivating a positive relationship with Sierra Leone, which makes them willing to turn a blind eye to the waste of donor money in the country. Thus, unknown amounts of resources are allocated to groups and individuals in order to satisfy private needs and to pacify potentially contradicting interests. Clientelism has bloated the cabinet to almost two dozen ministers.

Efficient use of assets

In terms of allocating resources, the government has tried, but often fails, to balance conflicting objectives and interests, as the strongest interests and pressure groups have a good chance of prevailing over the weaker elements. The government regularly fails to coordinate between conflicting objectives and interests and tends to submit to the strongest leverage. Moreover, different parts of the government tend to compete among each other, with counterproductive effects on transformation policies.

Policy coordination

Under the pressure of vested interests in the state apparatus, the government has not been able to successfully fight corruption despite anti-corruption legislation, which includes the Anti-Corruption Act (2000) and the Anti-Money Laundering Act (2005). Although the Anti-Corruption Commission (ACC), which is based on the Anti-Corruption Act, aims to facilitate improved governance, results have been disappointing. The Kabbah government received some praise from the IMF

Anti-corruption policy

and the World Bank in reference to the fight for good governance. However, Sierra Leone ranks only 142nd out of 163 countries in Transparency International's 2006 Corruption Perception Index.

16 | Consensus-Building

Officially, the political leadership is highly committed to democratic and economic transformation and therefore strives to build a broad consensus with an inclusive approach. In theory at least, the principal objective of democratic consolidation and economic reform is not generally disputed by the opposition. National reconciliation to heal the wounds of war is also on the official agenda. In reality, however, the government's policies and politics are often tend to emphasize conflict and dissent rather than establish consensus and promote national reconciliation.

Consensus on goals

Veto actors such as the military and former rebels have been brought largely under control, owing to external support from Britain and UNAMSIL. The army and police have been rebuilt, educated and trained with international, largely British, assistance aimed at preventing renewed political intervention. However, a strong minority of Sierra Leoneans show sympathy for a politicized military. In the event of major economic and/or political crises, it is entirely possible that the military could re-emerge as a political player. Moreover, there are a number of former militia fighters who have chosen to leave for areas of conflict in neighboring countries as mercenaries. Should they return to Sierra Leone, they may also cause considerable trouble for the civilian political system. The viability of this system remains to a very high extent dependent upon the presence of external actors in the country. Without international assistance, Sierra Leone could once again fall victim to a military takeover or vandalizing armed groups.

Anti-democratic veto actors

As Sierra Leone's more recent history demonstrates, conflicting political forces in the country were not able to manage political cleavages smoothly enough to enable peaceful development. Although the government has sought, with external support, to integrate as many social, political and military forces as possible into the postwar system, major potentially violent regional, social and political cleavages persist.

Cleavage / conflict management

Thanks to donor influence, the political leadership is ready to enable the participation of civil society, which is the stated objective of the ENCISS program quoted above. However, implementing this program will prove difficult in the face of contradicting vested interests and a lack of financial resources. Moreover, the political leadership tends to favor civil society actors who are share its own political and economic interests over those actors opposing or

Civil society participation

challenging its interests. Sierra Leone lacks balanced approach to integrating civil society stakeholders of different views into the political process.

Emerging from the Truth and Reconciliation Act (2000), a Truth and Reconciliation Commission (TRC), modeled along the South African example, conducted hearings in 2003 and 2004, in an attempt to come to terms with the consequences of massive violence during the war. A comprehensive final report was published in July 2005. Although about 8,000 persons decided to report to the TRC, the bulk of the population, neither affected by the war or not, did not participate in this process that was directed towards memory, healing, reconciliation, and also material compensation for victims of massive human rights violations. Many people did not participate because they were not asked to do so. Others avoided the TRC, which advocated a verbalization of past atrocities, because they felt that this mode of reconciliation was artificially imposed from above. Most people refrained from participating in the TRC because they simply wanted to put the past behind them. The long-established practice of “social forgetting” does not entail forgetting at the personal (individual) level, but is intended to deny violence a social reality in public discourse and thus prevent renewed violence from emerging. Problems with the TRC’s approach were compounded by the operation of the UN Special Court of Sierra Leone (SCSL), the tribunal that emerged from UN Security Council resolution 1315 in 2000 and was meant to try those who bore the greatest responsibility for war crimes and crimes against humanity. The SCSL took legal proceedings against only about a dozen persons, including former Liberian warlord and President Charles Taylor who was handed over to the UN Special Court in The Hague in 2006.

Reconciliation

17 | International Cooperation

In the wake of war and political turbulence, the Kabbah government has made strong efforts to restore the country’s full reintegration into the international community and to create an image of a reliable and disciplined partner in terms of democratic norms and stabilization-oriented macroeconomic policies. Occasionally, Kabbah has been termed the “darling of the donors.” His government works closely with international donors and generally uses international support to improve its policies. In general, political actors strive to cultivate cooperative international relationships. Although the government works with bilateral and multilateral international donors including the IMF and the World Bank, this does not facilitate significant policy learning and improvement on the side of the state authorities, owing to corruption as well as the lack of qualified personnel.

Effective use of support

The Kabbah government has been committed to presenting itself as a credible and reliable partner to the international community. While most major international actors do not doubt the commitment of the government to IMF and World Bank policies, they realize that there are serious problems in terms of economic and developmental constraints. International partners concede that the government has successfully been fighting the specter of state failure. The perception, especially in the United States and the United Kingdom, that failed states offer an open door to international terrorism is an asset for the Kabbah government, which exploits this fear to win special treatment from donors. Kabbah has also tried to diversify the country's external relations by looking, for instance, towards Asia, but has also sought relationships with governments not liked by most great powers. In January 2007, for example, Kabbah shook hands with Muammar al Qadhafi during another state visit to Libya.

Credibility

Sierra Leone is officially committed to work in international, regional and sub-regional organizations, including the African Union (AU), the Economic Community of West African States (ECOWAS), as well as the Mano River Union (MRU), of which Sierra Leone is one of three member states, together with neighbors Liberia and Guinea. However, Sierra Leone's ongoing stabilization and consolidation process is threatened by the many mutually interwoven trans-boundary conflicts in the western part of West Africa, including Liberia, Côte d'Ivoire and Guinea. Each of these countries are struggling to cope with difficult conflict scenarios within their borders. Although the ousting of Liberia's Charles Taylor in 2003 constituted an immediate boon to Sierra Leone's international environment, serious problems remain to be solved in the sub-region, including further stabilization of war-ravaged, but now pacified Liberia, the politico-military stalemate in Côte d'Ivoire as well as the uncertain outlook for the agonizing Conté regime in Guinea. In theory, the government of Sierra Leone has a strong interest in improving its international sub-regional environment and contributing to conflict resolution in the neighboring countries. In practice, however, the Kabbah government has so far largely been unable to serve as an active cooperation partner in sub-regional, continental or international affairs, given the massive challenges it faces at home.

Regional cooperation

Strategic Outlook

Almost a half-century after independence, Sierra Leone is burdened with developmental problems, including crushing poverty, the degradation of social and economic infrastructures, international dependency and high inflation, which have placed it second to last on the 2006 HDI ranking list. While those problems may be attributed partly to internal structural weaknesses and partly to external factors, it is no exaggeration to state that the eleven-year war from 1991 to 2002 had disastrous consequences for the country. Given the combination of problems existent prior to and as a consequence of the war, decision makers, whatever their party affiliation, face an immense challenge in managing the country's problems effectively and improving its peoples' lot.

The year 2007 will prove decisive for the mid-term future of Sierra Leone: after having served two five-year terms, the current president, Ahmad Tejan Kabbah, is constitutionally barred from seeking another term. Since political power and decision-making has been embodied by Kabbah to a large extent, many people inside and outside Sierra Leone are highly uncertain about the country's future. The political credit that Sierra Leone has gained since 2002 with the international community can be attributed to the president rather than to the country's broader political class. The question of continuity or discontinuity after the Kabbah era, including the danger of renewed violence, is of major political concern. Since a number of former militia fighters did not disarm but chose instead to go as mercenaries to other conflict-ridden countries of the sub-region, the risk that they may be lured back into militias in Sierra Leone itself cannot be ruled out.

Developments in conflict-ridden neighboring states Liberia, Côte d'Ivoire and Guinea are incalculable factors for the future of transformation in Sierra Leone. War or violent conflict in these countries could spill over into Sierra Leone, where the root causes of the country's violence, such as youth disaffection, mass unemployment, social inequality and poverty, have yet to be thoroughly addressed. A leadership gap in the post-Kabbah era could have grave consequences.

Sierra Leone will continue to face challenges regarding political and economic development beyond the Kabbah presidency. Democratic institutions and procedures are neither self-sustaining nor irreversible. Their viability and durability depend upon the commitment of international actors. Given Sierra Leone's weak economic framework as a result of war, international dependency, globalization, corruption and mismanagement, it will not be

capable of transformation toward a socially integrated market economy in the near or medium-term future. However, GDP growth, economic diversification, the revitalization of mining products and development of alternative foreign exchange sources may be achieved. Nevertheless, success in battling mass poverty beyond a simple stabilization of living conditions at low levels may prove elusive.

Should Sierra Leone's decision makers accept IMF and World Bank recommendations and remain reliable political partners, the country will receive large amounts of international assistance (including debt relief) in the foreseeable future. The international community has committed itself to making Sierra Leone a success story in overcoming the catastrophe of state failure. The interest in maintaining this course is great as failing states are regarded as potential havens of international terrorism. Translated into Sierra Leonean interests, this is an asset upon which decision makers in Freetown can capitalize.

Regarding a comprehensive development strategy for Sierra Leone, the 2005 PRSP identified three major fields of action: (a) good governance, security and peace; (b) pro-poor, sustainable economic growth for food security and jobs creation; and (c) human resource development. The central goal in the strategy is a restatement of the first UN Millennium Development Goal: by 2015 the proportion of people whose income is less than one dollar a day should be reduced to half the 1990 level of 82%, from the current base of 70% in 2003/04. This is to be achieved through a very ambitious growth rate of 8 to 9% per annum (6 to 7% per capita), which seems somehow illusive, given current growth projections of just above 6% for both 2007 and 2008.

Key elements of a renewed transformation strategy might include the following priorities:

Anti-corruption campaign: Since endemic corruption is one of the main impediments to development, the fight against this disease plaguing the economy, society and politics of the country should be intensified. This fight should reach beyond economic incentives, specific legislation and observable administrative measures and should also be addressed as an issue in primary, secondary, tertiary, and post-tertiary education. Education and information about the disastrous consequences of corruption for the development of the country have so far been underemphasized in scholarly studies, political analyses and decision-making.

Children and Youth empowerment: Since impoverishment, disaffection, and frustration of the youth have been identified as major causes contributing to the spillover of the Liberian war to Sierra Leone in 1991, the empowerment of

children and youth is a vitally important factor for the country's future development.

Education and training: Given the importance of education and training in the areas stressed above, improvements here are crucial to the future development of the country as a crosscutting issue. Although the importance of education has been identified in various reports and in political action, the emphasis upon this issue should be strengthened further in the directions indicated.

Women's empowerment: Women's level of qualification and literacy is crucial to the development of Sierra Leone. Discrimination against women can be considered a serious impediment to development that should be lifted by educating and qualifying women and girls at primary, secondary, tertiary, and post-tertiary institutions. Discrimination and violence against women and girls should be redressed by means of education that should supplement anti-violence and anti-discrimination legislation.