



EBOLA IN SIERRA LEONE: ECONOMIC IMPACT & RECOVERY

Dr Peter Davis

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Launched in October 2013, Sierra Leone Opportunities for Business Action (SOBA) aims to reduce poverty by increasing the incomes of farmers and small-scale entrepreneurs across Sierra Leone. Funded by DfID and working with the Government of Sierra Leone Ministry of Trade and Industry, SOBA closely collaborates with the private sector to introduce pro-poor market innovations that result in significant and sustained economic growth for all. SOBA targets innovations within agriculture, light-manufacturing, energy and supporting sectors. Our overall approach is focused on addressing key constraints to inclusive growth and facilitating sustainable change at scale.

Over the last year, SOBA has targeted investments in pilot innovations within six key market sectors. These market sectors include: rice, vegetables, maize, waste/energy, market information, and access to finance. From these, several opportunities both to scale successful innovations have emerged. These include outgrower farmer aggregation schemes and buyer-led forward contracts, as well as supporting opportunities, such as supply-chain management and agri-input and equipment distribution models.

Finally, SOBA continues to adapt to the rapidly changing economic context that is resulting from the ongoing, Ebola Virus Disease outbreak. SOBA has provided targeted support to ease the financial shock facing businesses and households alike, leveraging our private sector network to provide short-term, targeted assistance that can drive long-term growth objectives.



Adam Smith
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Author: Dr. Peter Davis MA PhD FRSA FRGS

Dr. Peter Davis is a political economist focusing on the impacts of the private sector in developing countries, particularly in fragile and conflict-affected states. He has recently been appointed to the Advisory Board of the Global Partnership for Effective Development Co-operation and is working with DFID on a study of the role of private sector development as countries transition from aid. He is currently advising the OECD on their programme in Iraq, and last year he led the independent ICAI evaluation of DFID's PSD portfolio, and made recommendations for change to the International Development Select Committee of the House of Commons.

Peter is Visiting Research Fellow at Birkbeck College, University of London, where he works on issues of international corporate governance and ethics. He is a former Research Fellow of the Overseas Development Institute. Peter was educated at the Universities of Oxford and London. His book, *Corporations, Global Governance and Post-Conflict Reconstruction* was published by Routledge in 2012. A further book, *The Corporate Sector in International Development* will be published in 2015.

Contributor: Institute for Governance Reform

The Institute for Governance Reform (IGR) is an independent research firm which aims to bridge the gap between knowledge and policy in Sierra Leone. IGR combines extensive knowledge of Sierra Leone with a network of specialists to produce quality research to help drive change and support decision making in areas such as public policy, extractives governance, and agriculture. With thanks to Andrew Lavalie, Emmanuel Mannah and Johnny Moi.

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Executive summary

That the Ebola Virus Disease (EVD) outbreak was a human disaster is beyond doubt. More than 12,000 Sierra Leoneans were infected, of whom (so far) nearly 4,000 have died. However, whether the outbreak has also caused an economic disaster is a rather more open question. Certainly the headline macro-economic numbers suggest that the EVD outbreak was indeed an economic calamity with growth plunging from 16.7% in 2012 to an estimated 4% for 2014, with The World Bank forecasting a 2% contraction for 2015. The Bank has also estimated the fiscal effects of EVD at around US\$150 million.

The aim of this paper is to reach behind headline numbers and look in more detail at how EVD has affected the Sierra Leonean economy. To do so, it uses as its starting point the significant number of studies produced since the Autumn exploring different aspects of EVD's economic impact. In addition to this secondary research, this paper also builds on primary research undertaken in four parts of the country in early May 2015. This research was primarily qualitative in nature, based on interviews and focus group discussions with small and medium-sized enterprises (SME), farmers groups, government officials and other relevant organisations.

Although the headline changes in the Sierra Leonean economy are significant, study findings indicate that the origins of these challenges are also complex. **EVD and associated quarantine measures undoubtedly knocked serious holes in the country's economic fabric. It would be wrong, though, to attribute all the country's economic woes to the outbreak of the disease.** At the time of writing this report two state owned banks – Rokel and SL Commercial – have gone under and two iron ore multi-national companies have collapsed. EVD is therefore a partial but not sufficient explanation of the country's economic woes. Accordingly, strategies for recovery must target the broad, underlying issues affecting performance to meaningfully accelerate Sierra Leone's recovery.

Sierra Leone's SME sector

The main focus of this report is on the emerging 'corporate' sector in Sierra Leone. Most of the private sector consists of micro businesses, small traders or smallholder farmers. However, a cadre of small and growing companies that are positioned to accelerate growth does exist. The impact of EVD on these SMEs has received insufficient attention to date. It is clear from our interviews that companies have been badly affected as a result of the measures introduced to contain the disease. Movement restrictions, the 7pm curfew, the ban on public gatherings as well as reductions in disposable capital amongst clients have all had very negative effects on business.

Indeed, figures from The World Bank suggest that Sierra Leone is the worst hit in economic terms of the three most-affected countries including Guinea and Liberia. In part, at least, this seems to have been the result of the differential quarantine measures and restrictions; the private sector had more room to operate in the other two countries compared to Sierra Leone. Liberia lifted curfew and restrictions on businesses several months ago, whilst heavy restrictions remain in Sierra Leone. Guinea quarantined selected districts that were most acutely affected by Ebola, whereas a ban was imposed onto businesses even in low risk districts of Sierra Leone. As a result, many companies have gone out of business, and more still have significantly reduced their scale of operations. Consequently, levels of unemployment and underemployment have risen significantly. For those in urban areas, with little access to other economic opportunities, the impact is likely to have been severe. The impact has been felt across many sectors. Agribusiness companies saw their sales dry up as a result of lower levels of disposable income amongst their clients; those in logistics and transport were affected by movement restrictions, and faced higher costs; and the 7pm curfew and bans on public gatherings had huge effects on companies in the retail and hospitality sectors.



For the businesses themselves, even where they have been able to survive they did so by eating into their own financial reserves and with no prospect of institutional monetary support. This means that economic impacts still persist: **many companies interviewed report that more business opportunities are emerging. However, a lack of financial capacity is preventing many from taking up these new opportunities.** The financial sector is unable to help; structural weaknesses and the overhang of bad debt from un-repaid loans by companies that have gone bust inhibits their capacity to step in.

Impact on agriculture

The impact of EVD on rural agricultural communities – small-scale farmers and their families, and the traders and markets through which they normally operate – has received much attention in recent months, largely because of development partners' need to understand the food security situation around the country. As with the 'corporate' sector, it is apparent from existing studies and from our interviews that the most significant economic impact of EVD on agriculture came not from the disease itself, but from the containment measures put in place. However, the impacts varied in type and magnitude across the country. For example, except in those areas where the disease hit earliest, farmers were able to prepare their fields and plant their crops. Some regions found that the restrictions hindered the harvest, with crops left to rot in fields. By contrast, other areas found the harvest more straightforward than usual since movement restrictions meant labour was more plentiful.

By pulling together the results of our own research and findings from other studies we can paint a picture of what seems to have happened in rural agricultural communities over the past year. Those producing cash crops were worse hit since they were less able to move their produce around the country. In the early days of the epidemic in the cash crop producing eastern region, those producing cocoa and coffee were badly hit. Later, as Ebola engulfed the rest of the country, vegetable growers, rice farmers and cattle further north were badly hit by the closure of markets. Interviews with businesses in rural areas strongly suggest that as a result of market restrictions the availability of cash in the rural economy has diminished, with a consequent impact on purchasing power. Companies in rural areas therefore experienced a slow-down in business. But despite movement restrictions and the closure of markets, rural populations seem to have found various ways to cope with the situation. For example, a study by the International Growth Centre suggested that even where markets were closed, farmers continued to sell to neighbours from their homes¹. Undoubtedly some food insecurity exists, but it is not clear how much worse this is than in 'normal' years. **Certainly it is hard to substantiate the idea that Ebola has been an economic disaster for rural communities: indeed one study by Catholic Relief Services concluded that most farming communities were well set up for the 2016 season.**

Mining

However, **the Sierra Leonean economy has also been adversely affected by another crisis: one which will arguably have longer-term economic impacts, but which has gone largely un-related by media coverage of the region.** In the past year a large part of the country's mining sector, which accounted for 16% of GDP in 2013, has significantly contracted. Whereas, some reports link the decline in mining with Ebola, it can be more accurately attributed to the sharp decline in the global price of iron ore.

The effects of this contraction are significant and wide-ranging. The Government has lost a substantial revenue stream, and one that looks unlikely to revive in the next year or two. Jobs have been lost; the African Minerals

¹ International Growth Centre. *The economic impact of Ebola: monitoring the impact of potential transport disruptions on traders, food availability and market prices.* October 2014



mining company, for example, has laid off 1,400 people. Many domestic companies, both small and large, have been left with huge debts, and with little legal recourse to have them paid.

This report is therefore obliged to widen its scope: it is not enough to look simply at the economic impacts of EVD: it needs also to consider the implications from the upheaval in the mining sector. Any recovery plan needs to consider both crises, but also has to consider the underlying issues which gave rise to both. Ebola was not an 'act of God' as said locally but occurred and spread because of fundamental weaknesses in Sierra Leone's healthcare systems. Likewise, the severity of the impact of the mining decline says much about its rule of law and governance capabilities.

Based on our own primary research, and drawing on existing secondary evidence, this paper reaches conclusions and makes recommendations or action on two time-frames. Firstly, in the short term, what can be done to address the specific challenges presented by the EVD outbreak, and the contraction in the mining sector. These presuppose that the most important step, the removal of the quarantine restrictions, is taken by the Government. Without this happening, no meaningful recovery by the private sector can begin. Second, recommendations are made as to what needs to happen in the longer term to strengthen key capabilities in Sierra Leone, focussing in particular on skills, both in government and the private sector, financing and the business environment.

Introduction

The first case of Ebola was reported in Sierra Leone in May 2014. By early May 2015, the Centre for Disease Control reported that nearly 4,000 people in the country had died, from a total of more than 12,500 suspected or confirmed cases. The raw statistics tell only part of the story, however. The impact of the disease was not just on those who contracted it, but on the whole country. As well as fear of becoming infected, this wider effect was brought about by the steps taken by the Government to tackle the spread of Ebola. The authorities declared a public health emergency in July 2014 and instituted a strict set of measures including the suspension of markets, movement restrictions, and a 7pm curfew.

Ebola has been a human disaster: the question is whether it has also been an economic one. Certainly it has been presented as such. A UN press release in January 2015 said that Sierra Leone and its neighbours were "crippled" by the economic impact of Ebola²; in March, an MSF review of the first year of EVD concluded that "Ebola has ripped the social and economic fabric" of the affected countries³.

This paper, and the research laying behind it was commissioned by Sierra Leone Opportunities for Business Action (SOBA)⁴ to explore the economic impacts of EVD and to establish what steps might be taken, by SOBA and others to address these impacts.

2 UN News Centre. *World Bank: worst-affected countries 'crippled' by economic impact of Ebola*. 20th January 2015

3 MSF. *Pushed beyond the limit and beyond*. MSF March 2015

4 SOBA is a market systems development programme that aims to reduce poverty in Sierra Leone by increasing incomes of farmers and small-scale entrepreneurs. SOBA seeks to improve the underlying pro-poor performance of a range of agricultural and light-manufacturing sectors, leading to opportunities for better access and improved growth for poor and disadvantaged people.



Unsurprisingly, in the early months of the outbreak, the focus of attention was on the spread of the disease, and the success of containment measures in controlling the disease. However, since the Autumn of 2014 a number of published studies have looked at different aspects of EVD's economic affects. This project has built on these existing studies, but has also sought to fill the gaps between them and interrogate some of the assumptions and conclusions they contain..

Firstly, most studies to date examine specific aspects of the disease's economic impact. Many have looked at the livelihoods and farm level, in particular focussing on risks of food insecurity. Others, for example from World Bank have looked at the macro-economic impacts. This paper brings all of these previous insights together to paint a more holistic picture.

Second, the focus so far has been predominantly on the agriculture sector, and in particular concentrating on issues of food security. The impacts on companies rather than communities or households has been explored in less detail. To complement this existing work therefore, this project has focused on the SME sector, be those companies in agriculture or other sectors. We have also examined the challenges in the extractive sector.

Third, this study has taken a different methodological approach. A good deal of quantitative data has been collected by previous studies. Important and interesting though this is, this project has used predominantly qualitative approaches to shed more colour and depth of insight. Rather than enumerating the broad situation we have used focussed interviews to explore specific company cases in order to explain not just what has happened, but why.

Fourth, we have also sought to compare where Sierra Leone is now with where it was economically before the EVD outbreak and mining decline. This enables us to better quantify which of Sierra Leone's economic challenges were caused by each of these developments, and which are the result of pre-existing factors. Finally, as well as seeking to explain what has happened economically in Sierra Leone over the past year or so, this project has also sought to identify steps that might be taken to remedy (?) the situation. SOBA is itself well-positioned to address some critical economic and recovery challenges. The paper also seeks to define a short and medium-term road map which, in addition to SOBA, other DFID projects or those of other development partners may also be able to take up and to address.

The clear conclusion of this study is that to focus only on the economic impacts of EVD is to miss the point. Certainly the outbreak has had significant impacts, and these need to be addressed. However, there are three other factors that need to be taken into account:

Measures taken to contain the disease were more economically damaging than the disease itself: First, the impact of the EVD outbreak on Sierra Leone's economy has lain less in the effects of the disease itself, than in the effect of the measures taken to control the outbreak. Seldom during our research did interviewees speak of the economic impact of those killed by Ebola. By contrast, almost everyone spoke at length about the economically paralysing impacts of the containment measures used.

The collapse in iron ore exports: Second is the deterioration of the iron ore sector – which had formed 16% of GDP in 2013 – the significance of which has become lost in the focus on EVD. Economically the situation here is at least as significant as EVD not just because of the economic hit now, but also because of what the circumstances tell us about Sierra Leone's capacity to develop a proper extractive sector over time. Arguably, had the sector been better structured and managed, the impact of the decline in iron ore prices may not have been so severe.



EVD was itself the symptom of deep-seated challenges that need to be addressed: Thirdly, there is a need to recognise that as well as being a disease in its own right, Ebola was also a symptom of deeper-seated and longer-lasting ails. The disease spread in part because of the absence of a functioning healthcare system. Equally, many of the economic impacts of the disease may have been triggered by the outbreak, but are not novel. Poor financing structures, weak businesses and poor governance of companies are not new issues even if EVD did expose their significance.

It is important, therefore, that in defining the next steps to take, as for example the Government has done in its reconstruction plan, that **we ensure that what is proposed are in fact remedies to the correctly-identified problem.** As a result therefore, this paper recommends two sets of actions, the first short-term, and designed to ameliorate the immediate economic impacts of EVD and the mining crisis; the second to tackle the longer-term and more deep-seated challenges to economic development in Sierra Leone.

Strategy Recommendations for Economic & Business Recovery

Short term (1-2 years)

Financing: Provide short-term financial support to help companies and others recover.

Providing markets: Use the current focus on Sierra Leone to provide market opportunities for local businesses.

Intelligent reconstruction: International funds need to pay attention to urban as well as rural areas, not breed dependency, and focus on non-agricultural areas of the economy.

Longer-term (2-5 years)

Business environment and rule of law: It is evident that companies do not operate in a transparent legal and governance framework. Action is required to improve issues such as corruption and business practice

Business advocacy: Action is required to create a 'voice of business' as the basis for evidence-based policy making.

Financing: Banking sector reform is needed to improve the long-term availability of loans at sensible interest rates and for longer time-periods

Skills development: There is a need to develop an indigenous cadre of people with proper skills, both technical and managerial.

Methodology

Over the past few months, the Sierra Leonean government and several development partners have conducted a number of research studies examining the socio-economic effects of the EVD. Others are currently underway. The majority of these studies have employed sample surveys using structured and semi-structured interviews (face-to-face, telephone) to generate information. This report draws on these reports as secondary source material.

Given that there exists a good amount of quantitative data on EVD impact the primary research for this study made use of qualitative research methods, specifically through a mixture of one-on-one interviews and focus group meetings. Interviews were used for interactions with key individuals or representatives of particular organisations, while focus group meetings were used for interactions with larger groups. For both forms of



interaction our research made use of the ‘focussed interview’ approach⁵. This approach, which combines the capability to explore issues in a systematic and focused way, but allows more flexibility than structured and semi-structured interviews, which rely more on questionnaires. This has a number of advantages. First it means that respondents do are not just responding to the questions raised by the interviewer. Rather, they can raise issues they regard as important which the interviewers may not have identified before⁶. Secondly, this approach also allows exploration of not just what interviewees think, but why they hold these views.

Our field research undertaken was undertaken in Freetown, Bo, Kenema, Bombali and Kabala in early May 2015. In total we conducted 68 interviews and focus groups. We identified key stakeholders to engage with before the interview process began, and then made use of the ‘snowball sampling’ approach thereafter: initial interviewees proved very willing to recommend others. To avoid the risk of bias, we ensured that our interview process reached as broad a cross-section of relevant stakeholders as possible. These included businesses operating in a range of sectors, including agriculture, transport, retail, and hospitality; groupings of other non-agricultural private-sector actors, for example unions of Okada (motorbike) riders; farming communities; development partners; and representatives of local and national Government;

When combined with existing quantitative data the research provided extremely interesting insights into the effects of the outbreak, perceptions of what the situation had been immediately before the outbreak, and views on what needs to be done most urgently to secure the country’s recovery.

The macro-economic perspective

In the two to three years before the Ebola outbreak, Sierra Leone’s economic performance had been good. The expansion in iron ore and cash crop exports had resulted in GDP growth accelerating from 6% in 2011 to 16.7% in 2012. Tight monetary policy had led to a 6.9% drop in inflation (from 18.5% in 2011 to 11.6% in 2012). The fiscal deficit had reduced from 4.5% of GDP in 2011 to 1.8% in 2012. Similarly the current account deficit had reduced from 52.3% in 2011 to 44% in 2012⁷. In recent years, it was estimated that the agriculture sector was growing at between 4-5%. However, because of the growth in other sectors, most notably mining, agriculture’s share of the economy has fallen from 58% in 2009 to an anticipated 50% in 2014. As UNCTAD data shows, over the past decade Sierra Leone has gradually increased its merchandise exports from \$158m in 2005 to \$342m in 2010. The country then experienced an export boom in the early part of this decade, reflecting high commodity prices. As a result merchandise exports grew by 220% in 2012, and by a further 70.9% in 2013, to a total figure of \$1.917bn.

Data demonstrates that, over the past year, the macro-economic performance of all Ebola-affected countries has worsened markedly. The Government of Sierra Leone, in collaboration with UNDP explored the economic and social impacts of Ebola in a report published in October 2014⁸. This concluded that Ebola had affected the economy in a number of different ways. A number of these factors are addressed later in this review:

GDP: Economic growth had slowed. Based just on the impacts to October, the GoSL estimated that the annual

5 See for example, Moser, C & G Kalton. *Survey methods in Social Investigation*. Heinemann, London. 1971, p271, and May, T. *Social Research: Issues, methods and processes*. Open University Press, Maidenhead. 2001, p121

6 Rubin & Rubin (2005) *Qualitative Interviewing: the Art of Hearing Data* Sage, Thousand Oaks p48

7 African Development Bank. *Sierra Leone – African economic outlook*. September 2013.

8 Government of Sierra Leone. *The economic and social impact of EVD in Sierra Leone*. October 2014.



growth rate for 2014 would have slowed to between 6 and 8%. However, as the report warned, this impact would grow the longer the outbreak continued.

Inflation: Domestic prices were rising, with headline inflation having increased from 6.7% in June to 7.45% in August. Again, this figure was expected to worsen as the increased import costs took hold.

Budget Deficit: The Government's fiscal situation was worsening because of increased extra-budgetary expenditure on EVD, and short-falls in domestic revenues and in FDI. The Leone was also devaluing against other currencies.

Credit: Financial instability was increasing as a slowdown in economic activity resulted in higher levels of default on loans and other debt. Banks were therefore seeing increases in levels of bad debt.

Trade: International trade was being disrupted by the closure of borders and the suspension of many international flights. Increased insurance costs for ships entering Sierra Leone's ports were also contributing to increases in increased trade costs.

Unemployment: Unemployment was rising as businesses – particularly those such as catering companies, restaurants, bars and nightclubs, and transporters were hit by the EVD containment measures.

The Government's warning that the continuation of the virus would result in worsening economic figures was borne out by The World Bank. In December, the Bank estimated ⁹ that the country's GDP growth for 2014 would be just 4%, down from a rate of 11.3% growth predicted before the outbreak of EVD. This represents a further decline on the growth estimate of 8% for 2014, predicted only in October. The country's economy worsened as the outbreak took hold, contracting at an annualised rate of 2.8% in the final quarter of 2014, by comparison with 11.3% annualised growth for the first half of the year. The same report predicted a contraction of the Sierra Leonean economy in 2015, of 2%, down from a growth prediction of 8.9% made before the Ebola crisis. This reflects foregone income for the country for 2014-15 estimated at around \$1.3bn. Obviously, until Ebola is eradicated, these figures are likely to worsen further. However, reduced planting in July/ August 2014 are likely to impact significantly on agricultural production in 2015 even after Ebola is eradicated.

The crisis has therefore had a significant impact on the country's fiscal position. Taking into account falling revenues as a result of lower economic activity, foregone investment and increased spending, the World Bank estimated the fiscal effect of Ebola on Sierra Leone in 2014 to have been about \$150 million.

Efforts have also been made to quantify the economic impact of the disease in terms of the direct and indirect costs of the disease itself. A study published in February attempted to calculate the economic cost of treating an Ebola victim, as well as **the economic loss resulting from that person becoming ill**. Further, it added in **the cost of the lost economic activity of victims who died**. The model developed estimated that "the total societal cost of an EVD case with full recovery ranges from \$480 to \$912, while that of an EVD case not surviving ranges from \$5,929 to \$18,929, varying by age and country." The study estimated therefore that the total cost of all reported cases could be as much as \$3.3 billion¹⁰ across the three affected countries. A report by the World Bank in February also raised question of the additional costs resulting from the need to care for children orphaned by the outbreak if traditional family structures were unable to cope¹¹.

9 World Bank Group. *Update on the economic impact of the 2014 Ebola epidemic on Sierra Leone, Liberia and Guinea*. World Bank. 2nd December 2014.

10 Bartsch S, K Gorham & B Y Lee. 'The cost of an Ebola case'. In *Pathogens and Global Health*. 2015 Feb; 109 (1) pp 4-9

11 Evans D & A Popova. *Orphans and Ebola: estimating the secondary impact of a public health crisis*. World Bank



An environment of fear

The implications of the macroeconomic figures for Sierra Leonean households were demonstrated by a January¹² 2015 report from UNDP. This was based on the results of a survey of 2,130 households across 14 districts of the country. According to this study, EVD has led a significant proportion of the population (82% of those questioned) to be concerned about their livelihood. This figure rose to 91% in those areas worst hit by EVD. These fears over livelihoods reflect the fact that nationally 40% of urban workers reported that they had been laid off or sent on leave. Many farmers (89%) and traders (86%) remain concerned for their future even post-Ebola. 71% of respondents said that their household incomes had declined. By contrast, 82% expressed concern at food shortage, and the consequent increase in food prices.

Challenges of governance

The experience of Kenema District Council illustrates a number of governance challenges facing Sierra Leone. First, this Council's experience shows how unprepared Sierra Leone was for the EVD outbreak. The Council's Development Planning Officer explained that the Council no emergency plan to control the rapid spread of the disease in the district. The lack of sufficient funds and appropriate staff significantly contributed to the escalation of the disease.

Secondly, it seems that the Council's position was undermined during the initial response to the crisis. Rather than working through the local authorities, central government disbursed funds directly to District Health Management Teams (DHMT). All other social services provided by the council came to a standstill as focus was more on EVD control.

Nor does this process of cutting local authorities out of the loop seem to be a new phenomenon. According to the Council, development agencies are meant to work through authorities like the Kenema Council, and to provide relevant funding and support. In practice this has not always happened.

It seems that the same has been true in relation to mining activities in the district, which have remained under the control of the Freetown-based Ministry of Mineral Resources. The Council complains that, whilst management of extractive activities have been managed centrally, the effects of mismanagement are felt locally with mining areas not rehabilitated and therefore not usable for agricultural purposes.

The SME sector

As is the case in many African countries, a significant proportion of the 'private sector' in Sierra Leone consists of micro-enterprises, most of which are informal, and many of which are engaged in small-scale agriculture. National Revenue Authority statistics show of the country's estimated 80,000 enterprises, only 4,400 are registered as small enterprises, and around 1,000 as medium-size businesses employing between 10 and 50 people. Only 194 companies employ more than 50 people.

Over the past few months, the effect of EVD on Sierra Leone's rural, agriculture has been the subject of a number of studies, a focus guided by the need to assess the risk of food insecurity across the country. As will be

Group. February 2015.

¹² UNDP. *The economic and social impact of Ebola on households in Sierra Leone. Household survey report.* January 2015



detailed in the next section of this report, the impact of the disease on the farm-based, 'livelihoods' component of the private sector is therefore reasonably well-understood.

However, the effects of the outbreak on what one might term the 'non-farm private sector' have been less well studied. Whilst the aim of this current study has been to develop a holistic understanding of Ebola's economic impact, **its particular focus has been on the emerging, formalising private sector**. The rationale for this focus is that it is these companies which have the potential to create wealth and jobs in the longer term. Key to Sierra Leone government policy has to promote a move towards a more formal private sector. Therefore understanding the health of these emerging companies, and the impact on them of EVD is extremely important. What is most apparent from the interviews undertaken is that the real impact of EVD lay, not in the effects of the disease itself, but in those of the measures taken to contain the outbreak. Few of those interviewed spoke of significant impacts arising from the death of key staff or customers. Instead interviewees detailed at length the adverse impacts on their business of measures such as the ban on public gatherings, the evening curfew and the closure of markets. Different measures impacted sectors in various ways; however the effect of all measures was severely to constrain trade and access to markets. From an economic perspective therefore, the cure appears to have been more damaging than the disease.

These observations are borne out by a UNDP study published in January¹³ which demonstrated serious impacts on Sierra Leone's companies: 90% of companies surveyed reported a fall in sales, and around 70% of them reported increases in costs of raw materials and for transportation. The study reported a differential effect on companies in different sectors: **23%** of respondents in the retail and accommodation **sectors have stopped operations**, compared to only **6%** in agriculture. The problems facing companies has had a knock-on effect on their employees: an estimated 32% of private sector workers have been laid off, or placed on unpaid leave. 61% are working reduced hours.

Uniformly however, the blame for these impacts was placed, not on Ebola itself – only 5% of companies reported that their staff had been infected by EVD – but on the steps taken to control the disease, and on fear bred by the outbreak. Border restrictions are blamed for having increased costs for imported goods, and transport costs have increased because of travel restrictions and the increase in fuel costs. The bans on public gatherings and the 7pm curfew have seriously impacted on the service and hospitality sectors. The suspension of most airline links; and the exodus of a large proportion of ex-pats have also had serious impacts on Sierra Leonean businesses. More than 50% of businesses also reported that access to financial services has been limited by the reduction in banking hours instituted as part of the disease-management procedures. It is clear therefore, the report concludes, that "the policies put in place for preventing EVD are affecting businesses." As a result "the outlook of the national economy is gloomy [with] over 70% of businesses expecting it to worsen over the next three to six months"¹⁴.

The impact in different sectors

During our research we interviewed companies from many different sectors. These interviews provide greater granularity of the impact of the EVD outbreak in different parts of the economy. As is suggested by the UNDP survey, the impact came not as a result of death and incapacitation because of the disease itself, but because of the containment measures put in place which had the effect of virtually paralysing the economy.

13 UNDP. *Businesses in Sierra Leone: Business establishment survey report*. UNDP, January 2015.

14 UNDP *op cit*



Agri-business

Companies operating in all phases of the agribusiness chain found their activities severely constrained by many aspects of the EVD containment mechanisms. Companies providing inputs saw demand fall as farmers were unable to move around the country. Lewis Agricultural Input Enterprises in Bo, for example, reported a 50% drop in demand. The same was true also of trading companies; Ali Baz, a trader of coffee and cocoa based in Kenema normally buys from 3000 registered farmers in Kenema and Kono Districts. However, the two three-day nationwide “lockdowns”, the seven months quarantine of Kenema and Kailahun Districts, the abolition of Sunday trading and the reduction in the hours of daily business, severely hit the performance of the company. Farmers found it much harder to deliver their products to the company, and what trade remained was further complicated by the closure of Fi Bank in Kailahun, through which the company had previously made payments to farmers. Agriculture processing firms also saw their businesses adversely affected. The Gbotima Gari Processing Centre in Bo was particularly affected by the international movement restrictions which limited access to international customers. Local travel constraints also made it harder for farmers to bring their produce to the processing centre.

Guang Dong International Trading (GDIT)

This company demonstrates the impact of EVD on companies selling to agricultural markets. GDIT was set up to trade in aluminium and in agricultural machines imported from China. Normally, the import 6-7 containers of goods a year, whereas last year they only imported three. The company has a store of power tillers, rice mills, rice and coffee haulers and cassava graters that cannot be sold. Sales dried up for two reasons. First farmers do not have the disposable income to buy new equipment. Secondly, donors and NGOs, who used to be big customers have stopped buying. As a result the firm has laid off 8 of their 30 staff.

Logistics and transportation

Given the challenges in the agribusiness sector, it is perhaps unsurprising that companies in the logistics and transport sector were also badly hit. The Kenema Motor Drivers’ and Workers Union represents drivers of commercial vehicles. It reported that their members had seen a sharp decline in demand for their services as a result of restrictions in vehicle movements. The Union is planning to approach the Government to reduce drivers’ licensing fees to help them recover from the current situation.

Okada riders too have been badly affected by the restrictions put in place to tackle EVD. This group forms an interesting demographic of young men with very low skills levels and therefore limited employment prospects. Amongst those interviewed for this study were the leaders of the Okada drivers’ union in Freetown who reported that their members had been affected by two restrictions in particular. The first was the closure of schools. Many Okada riders who make a living from taking children to school and this business disappeared overnight. Furthermore under normal circumstances, Okada riders also benefit from office workers and others trying to avoid the congestion caused at the beginning and the end of the school day. Again, this work dried-up. An even more significant impact, according to the Okada union, was the curfew which in effect halved the working day. Moreover, the structure of the Okada ‘industry’ exacerbated this problem. Normally, one bike may be shared by three or four riders: the loss of the evening and night-time business appears to have made the economics of the Okada business virtually untenable. Most riders do not own their motorcycles, but instead rent them, usually from wealthier families or individuals who want an additional income stream. The reduction in trade for the riders means that many have had their bikes taken away because they were unable to keep paying rental on them.



The union say that as many as a third of their members have, in effect, had their means of livelihood taken away. Bahsoon Auto Spares is based in Freetown, and normally provides spares and servicing to private and commercial vehicles, marine engines and light machinery. In the past few months, the company has experienced “a near to total collapse in the business.” Fewer land transport movements, and restrictions on maritime activities have resulted in a huge drop in demand. At the same time, import restrictions have made it harder to get hold of good quality spare parts. Furthermore, financial problems amongst their remaining clients has made debt collection harder too.

Retail and hospitality

Reductions in disposable incomes, and constraints on public gatherings also hit the retail sector. The *Reconcile Restaurant* is situated near the lorry park in Kenema and usually runs a business providing cooked food and drinks to truck drivers. The business also operates a business catering for weddings, funerals and other gatherings. During the EVD period, this company’s trade was affected in a number of ways. First of all, the demand for services dropped off significantly, given the lower level of transport movements, and the ban on gatherings and funerals. Second, costs rose significantly as a result in increases in prices for both local and imported products.

Cola Store, Bo

Mr Mohamed Sowe runs a store in Bo specializing in the sale of nut and palm oil. Before the outbreak, he sold on a daily basis to traders from Bo, Kenema and Pujehun districts and had a good market outlet for sale of stocks to Kabala, Freetown and Guinea. His business was badly hit by the curfew which significantly cut down his hours of trading, and by the closure of the border with Guinea.

The Kenema supermarket was also badly affected, in particular by the curfew. As the owner observed, most of his trade takes place in the early evening between around 5pm and 9pm, so for his business the curfew was disastrous. As a result of the fall in demand, the store had to destroy large amounts of stock, thereby incurring further losses.

In Freetown too the food-service business has been badly hit, as demonstrated for example by the *Basha* restaurant. The reduction in the numbers of ex-pats and the lower spending power of local people have been particular problems. Also, since their main trading hours were in the early evening, as people would normally be returning home from work, the curfew has further impacted on demand. The restaurant reports that their remaining customers also tend to avoid meat dishes: clients associate meat and chicken with EVD and fear becoming infected. The restaurant has managed to continue in business, but at a substantially reduced level of activity: they have reduced from two staff shifts a day to only one.

The knock-on effect on other companies is also apparent. As the retail and hospitality sectors have seen more difficult trading conditions, so have companies supplying them suffered as a result. *Guru Nanak Enterprises*, for example normally provide drinks, foodstuffs and other supplies to bars, nightclubs and restaurants. The curfew has significantly constrained their clients’ activities, and the lower number of ex-pats and of disposable incomes amongst locals has reduced the amount of alcoholic drinks sold. This has had a major impact on their sales and margins. They have seen many of their customers go out of business, and those that remain are doing much lower levels of business.



However, it is not just those areas of the service sector related to food-service and hospitality which have suffered: other businesses too have seen their activities badly hit. Akram Antar, for example runs a business in Freetown importing second hand clothes. He has seen a marked decline in demand, in his view as people focus more in ensuring that they have sufficient food to eat rather than on buying clothes. He has also been affected by travel restrictions and it has been much harder in recent months to travel abroad to buy clothes to sell on. The *Pea Carving Shop* in Freetown has also been affected. It sold carvings, mostly to tourists and ex-pats working in Sierra Leone. The virtual absence of any tourism, and the evacuation of most foreign workers has therefore led to an almost complete halt to the business. Even hairdressing seems to have been affected. The *Unique Barbing Shop*, interviewed for this study, reported that fear of Ebola resulted in people having their hair cut less frequently.

One company interviewed, however, had seen business increase during the EVD crisis. The *Frandia Foreign Exchange Bureau* reported a significant increase in remittances, both from Sierra Leoneans overseas, and within the country. It seems likely therefore that a method used by those worst hit by the effects of the outbreak used remittances from family members as a way to address the financial challenges.

The art of survival

Whilst the EVD quarantine measures affected companies in different sectors in different ways, companies that survived appear to have done so because of two factors.

Financial Reserves

Firstly, they had the financial resources available to be able to cope with the decline in revenues and increase in cost. Many of those interviewed whose business survived spoke of the need to dig into what financial resources were available to them. In many cases this would have meant using up savings which would have otherwise been used to grow and develop the business – as the example of Pajah Hatcheries (see case study, p X) demonstrates. The experience of *Frandia Foreign Exchange* suggests that remittances from overseas and within the country were also valuable sources of funding.

Management & Operational Efficiency

Second, companies survived if they had a management team capable of operating in difficult circumstances. A number of interviewees observed that in many cases SMEs have ‘a business opportunity, rather than a business plan’ – that they are responding to opportunities that arise, rather than having a clear plan for business focus and growth. Given the lack of business and management skills in Sierra Leone it is likely that many companies failed due to a lack of leadership.

It is also clear that, whatever the immediate problems might be, the structures for commercial financing in Sierra Leone are completely inadequate. At present loans are hard to come by because banks have such high levels of bad debt. However, even in ‘normal’ times commercial loans are not fit for purpose. Interest rates run at around 30% or more, and loans are extended for only one year. As many business people interviewed said, this does not allow and proper investment in long-term business growth. In fact, all that current loans seem to facilitate is short-term trading, thereby potentially sucking in imports rather than investing in the longer-term development of local businesses.



However it also appears that the situation for companies over the past year was made even more difficult by Government's apparent unwillingness to support the private sector. Many interviewees complained that, despite devastated businesses, Government was still expecting companies to make over payments of tax and GST. To have allowed companies a tax holiday, even for a few months, may have made the Government's financial situation slightly worse, but it may have had the effect of providing financial oxygen to companies rapidly asphyxiating. In October 2014, the Government also pushed ahead with plans to increase the minimum wage despite the financial challenges facing companies¹⁵. The January UNDP report recommended strongly that this increase be postponed in order to preserve jobs especially in SMEs and the service sector, which were particularly badly hit.¹⁶

Pajah Hatcheries and Fisheries, Lungi Beach, Freetown

The company was established in 2007 as a poultry farm and hatchery, and seller of poultry feed. The farm produces and sells up to 20,000 eggs a day, and also sell young chicks and cockerels to small-scale farmers. The founder, Habib Pajah is a member of the Sierra Leonean Diaspora, originally from the UK. The company also works with small-scale farmers of maize which they then process in their feed mill to make poultry feed. The company was initially self-funded, and also received equity investment from IFC. More recently, the firm received funding from the Africa Enterprise Challenge Fund. Pajah spoke highly of the African Enterprise Challenge Fund (AECF): as well as funding, AECF set clear targets against which funding tranches were released, but also provided advice and support in developing appropriate business and operational plans.

The EVD outbreak hit the business hard. Previously they had sold eggs both to mining firms like African Minerals, and to retail outlets such as supermarkets, restaurants and small stores in Freetown and elsewhere. Their sales of eggs were especially badly hit as people feared that they were carriers of EVD. As a result eggs had to be thrown away – an estimated loss of around \$100,000. Sales of young chicks were reduced because farmers lacked cash. The slow-down in their business has had a knock-on effect on the small famers from whom Pajah bought maize.

However Pajah was able to survive the crisis by careful management of its operation and use of its funding reserves. On the operational side, the company greatly reduced the feed to their brood hens, which meant that they were not laying eggs, but that they were kept alive. As a result, when things started to improve at the turn of the year they were able to increase feeding rates and so resume egg production. AECF allowed them to use the funding provided for an abattoir to keep the company going.

Pajah say that things are now returning slowly to normal. Indeed, in certain areas they have significant potential opportunities. For example, they have an order book for new-born chicks of more than three months. The problem is that because they have run their financial resources down to survive the EVD period they do not have the resources available to take up these new opportunities. The company want to expand their feed mill and revive plans to build an abattoir. It is clear that going to the bank is not an option for two reasons. Firstly, the interest rate would be too high. Secondly, loans are only available for about a year, whereas their planned investments would not mature in such a short time-frame.

Pajah therefore seems to be illustrative of the impacts of EVD, and emblematic of the type of company which needs support. The company has been hit by the slow-down in economic activity, as its customer base

15 Mansaray J. 'Minimum wage goes to Le500,000 monthly'. In *New Citizen* 31st October 2014.

16 UNDP. *The economic and social impact of Ebola on households in Sierra Leone. Household survey report.* January 2015



contracted. It has also taken a hit because of the need to destroy stocks, in this case of eggs. However, Pajah has demonstrated careful management through the crisis – greatly reducing its operations, but doing so in a way which allowed them to be spun-up again when the outlook improved.

However, although the company has survived, it has been left with a financial hole. Funds earmarked for expansion have been used for survival and resources have been under-utilised. The company estimate its losses in the past year at around \$150,000. Bank funding is not realistically available and so the company is not able fully to exploit the new commercial opportunities which are emerging as the economy improves. Banks will not fund livestock purchases, and in any case loans are too short-term.

Pajah is therefore the type of firm which Sierra Leone needs to foster if it is not just to recover from EVD, but to succeed economically in the longer term. The firm not only has the capability to provide employment within its own operations (the company estimate that its workforce is half what it would be had EVD not hit), but also to be able to provide wider-spread business opportunities. Pajah estimate that If the business were working at full capacity, that they could buy maize from up to 2,000 small famers. The firm is therefore able to act as the apex for a wider process of economic development.

However, the firm also demonstrates clearly the obstacles to recovery. Pajah has demonstrated good management capability, but its financial resources are depleted. Despite the emergence of interesting new opportunities, the funding options available from local banks are entirely inappropriate to allow these to be properly exploited. In the longer term, the challenges which Pajah has faced also reflect wider issues that need attention. Skills levels are very low and government has done little to support this type of small-sized enterprise. Little effort seems to be made by government and donors to use companies like this in their recovery plans. Pajah therefore offers a microcosm of what needs to happen next in Sierra Leone. In the short term, viable sources of financing are needed. These do not need to be concessionary since they would be used to exploit commercial opportunities. However they do need to be provided on sensible terms. Some form of Challenge Fund might be appropriate to include an assessment of applying companies' business plans, and the degree to which (like Pajah) they act as an apex for wider economic development through out-growers or other similar means. Furthermore, the current donor interest in the country could also be used to provide further commercial opportunities to firms like Pajah.

At present, a good deal of the materiel used for the international response is brought in – FAO and WFP for example import most of what they distribute. How might donors be a market for local firms? However, these are only short-term fixes. In the longer run, the banking sector needs a complete overhaul, companies like Pajah need a better source of skilled employees, and the business environment needs to be reformed so as to be much more supportive of companies like Pajah. If Sierra Leone is able to get these things right, then it will be able to grow a cadre of mid-size firms which themselves provide opportunities to local employees and smaller companies.

Rural communities and agriculture

The story of the previous chapter has been that the real economic impact of EVD on SMEs has lain, not in the direct impacts of the disease itself, but rather in the effect of the containment measures used. The same story seems to be true also in the agriculture sector. According the UNDP¹⁷, 'provisions of the State of Emergency

17 UNDP. *The economic and social impact of Ebola on households in Sierra Leone. Household survey report.* January 2015



relating to the closure of weekly rural markets and travel restrictions is affecting rural livelihoods and is creating variations in prices for essential commodities in different parts of the country'. **Where restrictions were heaviest, and traders obliged to auction of their goods price declines were reported in commodities such as rice, vegetables, meat and cassava.** The survey also found that in some communities, farmers and traders were holding secret markets in new locations to avoid prohibited market centres patrolled by security officers. Unsurprisingly therefore, amongst the recommendations of the UNDP report is that restrictions on weekly markets be relaxed, especially in those areas of the country where infection rates are lowest..

A smaller survey by SOBA¹⁸, conducted in 3 regions in late 2014 reported similar findings: 65% of farmers questioned reported access to markets being the biggest single challenge that they faced as a result of EVD. Basic farming practices have also been affected as some farmers have been restricted in access to their land, for example 47% reported challenges with land preparation, and 55% with planting. Moreover, even when crops are being produced, farmers report that transportation costs have increased, and the prices they receive have reduced. This study reported even steeper declines in income than the UNDP study, with 93% of farmers reporting falls in income. At the same time as incomes are declining, according to this report, the cost of staples such as rice, palm oil, salt, cassava, fish and meat have increased as their supply has fallen – about half are paying more than they did before the outbreak.

Local market-level impact: the case of Kabala Market

We held a focus group with traders at Kabala market, which illustrated many of the impacts of EVD and the quarantine restrictions

Access to funding:

“Most of us have eaten our capital.

“We are afraid to take loan from the banks because we know it will be difficult for us to pay the money back.”

“Even our traditional osusu groups can't really help as you will have to wait for your turn to collect your money. We don't want any sort of complains when it is to pay the loan knowing the current situation in the country.”

Impacts of quarantine restrictions

We used to make big profits at Luma markets, but these have been cancelled so we've lost a lot of business.”

“The quarantine affected all our businesses because normally we have to move around to get goods. But now we can't move from one district to another or to Guinea to buy goods to sell.”

“The evening curfew has really affected us because most workers come to market after working hours so we sold a lot of goods then, but now we have the police on our neck to close down.”

Changed market dynamics

“I sell meat and the price of meat has gone up so but my meat does not sell well. Often I have to reduce the prices just to make sure I don't take my goods home where they will spoil. Or I end up selling it on credit and hope someone can pay be back later.”

Most of us have had to change how we do business. “We now go to the villages to do barter system of exchange with our goods so we can bring their food stuffs to sell here.”

“People's purchasing power is very low, and so they grow most of what they need in their gardens. As we offer most of the same goods people only come to buy few things from us.”



Quality of Crops affected by travel restrictions

Focus group meeting undertaken for this current study provide more detail about how different EVD containment measures have affected farmers in different parts of the country. The Nongowa Agricultural Business Centre in Kenema district, for example reported a number of effects from the EVD containment measures. Restrictions prevented farmers working as groups, and therefore field preparation was much harder to undertake. Further, lockdowns prevented farmers visiting their fields regularly enough, resulting in birds seriously damaging the crop. Movement restrictions also limited visits from Ministry of Agriculture extension services, and also stopped farmers supplying the rice milling service which normally provided rice bran to livestock farmers.

Similar impacts were reported by the Holima ABC in Bo District. Movement restrictions meant that labour became scarce and lockdowns prevented farmers visiting fields often enough with the result that crops were damaged by pests. The result of both of these factors was that levels of quality farm production fell. Sales of vegetables produced as a cash crop were affected in particular by the periodic market at Gerihun. Travel restrictions also led to a significant drop in sorghum sale to a brewery. The experience of Manjama Institute of Agriculture, also in Bo Province demonstrates that EVD restrictions impacted on livestock as well as arable farmers. Movement restrictions made it hard both for farmers to access animal feed, and for customers to visit the area to buy animals.

It is clear that movement restrictions and market closures have made life hard for agricultural traders. According to the Ministry of Finance, “GoSL economic impact assessments indicate that border and weekly market closures have drastically affected traders.”¹⁹ Fi Bank also made it clear that a key element in helping the country’s agricultural communities to recover from the EVD outbreak would be “support to local traders.”²⁰ This is because, in their view, traders are a key route to market: “As a bank, we too depend on traders ...for our sustainability”.

Price Distortions: Traders’ market power

An interview with the Sierra Leone Traders’ Union in Kenema provides more insight into this financial intermediary role played by traders. According to the Union, their members are able to secure loans from banks and other financial institutions on provision of collateral and the recommendation of the Union. These loans are then used to facilitate trade with farmers. The decline in the agriculture sector has therefore left traders with unrepaid debts. **It appears therefore that not only has the EVD outbreak limited traders’ business but it has, for the time-being at least, weakened their position in the market.**

The hypothesis that the position of traders has been altered by the EVD outbreak is further borne out by a food security study conducted by WFP, the preliminary findings of which were presented to the Food Security Working Group on 24th April²¹. This study is based on data from 12 rural districts, and found that farmers’ farm-gate prices actually improved during the outbreak, and that the number of traders declined. Most interestingly, the preliminary results of this study **suggest that farmers’ prices actually went up at markets where more traders were present.** It appears that this economic anomaly is explained by a change in traders’ market power. Whilst there seem to be no definitive explanations, one speculation is that traders were not able to offer their normal financial support to farmers and therefore lost their normal market leverage. It is obviously unclear at this

19 Interview data, May 2015

20 Interview data, May 2015

21 Poncin A. *Preliminary findings from Rapid Food Security Assessment*. Presentation to FSWG 24th April 2014



point whether this farmer-trader relationship will return to normal after the EVD outbreak ends.

How big has the impact been?

Whilst it is clear that EVD – or more particularly the containment measures – have had a significant impact on agricultural communities in Sierra Leone, the question remains as to whether this impact constitutes has been economically ‘devastating’²², as President Koroma recently claimed. The evidence of various reports suggests not.

Certainly levels of production have fallen, as farmers access to their fields has been contrained, and bans on ‘group working’ have also affected normal practices. According to the FAO food security assessment published in early December 2014, rice production was estimated to have fallen 8% by comparison with the previous year.²³ This overall figure masked a range impact in different parts of the country, with production in Kailahun estimated to have fallen by as much as 17%. Maize production had also fallen, but only by a national average of 4%. Again, this masked regional differences, ranging from an increase in production of 1% in Bonthe to a drop of 6% in Kailahun.

However these production falls do not appear to have been severe enough to drive prices up sharply. According to the International Growth Centre (IGC)²⁴, market prices for domestic rice, cassava and palm oil remained fairly stable across the country between August and October (though figures are not available from this report for later periods). Prices did rise in the south, probably because of the impact of border closures. The FAO/ WFP report also reports a reduction in trader activity, which is thought likely to have impacted adversely on the 20% or so of rice farmers who sell surplus production, and those farmers who rely on sale of cash crops such as cocoa and coffee.

IGC has also looked in detail at the issue of how EVD restrictions were impacting on traders in agricultural commodities, and the consequent impact on food availability and market prices to end consumers. Their study draws on 157 markets from around the country. Having conducted surveys in August and September²⁵, IGC concluded that for much of the country, prices for domestic rice, gari and palm oil were similar to the level in 2012. In some areas, spikes in prices for imported rice were reported. However, in quarantined areas, there was a drop of up to 40% in the number of traders present. Where markets had been closed, market traders appeared to continue to sell produce from their homes. Even in remote areas therefore food is available, suggesting that reports of widespread food insecurity are exaggerated.

A further update published by IGC in January²⁶ found that prices for basic foods throughout most of the country had remained at or below prices than in previous years. IGC do note however that there are some ‘outliers’ – markets where prices are significantly higher than in previous years. The drop in the number of traders observed earlier had continued, although by the beginning of 2015 “the gap appears to be closing.” Also, the number

22 Clotey P. *Sierra Leone’s President bemoans Ebola impact*. Voice of Africa 15th April 2015

23 FAO/ WFP. *FAO/ WFP crop and food security assessment – Sierra Leone*. 17 December 2014 p10

24 International Growth Centre. *The implications of the Ebola outbreak on markets, traders and food security in Sierra Leone*. November 2014.

25 International Growth Centre. *The economic impact of Ebola: monitoring the impact of potential transport disruptions on traders, food availability and market prices*. October 2014.

26 International Growth Centre. *The implications of the Ebola outbreak on markets, traders and food security in Sierra Leone*. January 2015.



of closed markets had remained largely unchanged through the Autumn. The update report also noted that although shipping to Sierra Leone had fallen in September, it returned to 2013 levels by the end of the year.

A report conducted by Catholic Relief Services in November and December 2014 also suggested that the impacts of the Ebola outbreak on agriculture were less marked than had been feared.²⁷ This study was commissioned specifically to examine concerns that the EVD outbreak might result in a seed shortage for the 2015 season for Sierra Leone's farmers. The study looked at three districts: Kailahun which was badly affected by EVD; Bombali, a region affected later, and Koinadugu, which remained relatively unaffected (at the time of the survey) by EVD. Despite the disease, more than 85% of farmers across the 3 districts and 6 crop types surveyed reported that their harvest yield in 2014 was average or good. Of the three districts, Kailahun fared worst, reportedly because the disease hit as field preparation and planting was underway. In other areas, the crop was in the ground before the disease hit. The study reported that prices for goods at markets had risen, but that this encompassed price rises for goods brought in from some distance. This was associated with higher transport and fuel costs associated with movement restrictions, and some price falls for locally-produced goods which could not be transported out of the local area because of Ebola-related restrictions. Crucially, this report concluded that the seed security situation seemed to be a stable one, and quoted farmers saying that they had sufficient seed for the 2015 season. Therefore "at this point, there is no evidence that significant seed security interventions need to take place"²⁸ Yet despite this, a key plank of the Government's proposed Ebola recovery plan anticipates the provision of free seed and other inputs to farmers.

In January 2015, the World Bank published a report²⁹ on the socio-economic impacts of EVD, based on a series of telephone interviews in both urban and rural areas. The picture painted by this report also suggests that the outbreak has had rather less significant impacts in the countryside than might have been expected, though impacts in towns were more marked. As the survey was being conducted, the harvest was still on-going. However the report concluded that there is "no strong evidence" that the harvest had been affected by EVD. This supports other evidence that suggests that, because most planting had been completed when the disease hit, yields were not substantially affected. Delays in harvesting were reported to be more to do with heavier rains than normal. Moreover, concludes the World Bank report although Sierra Leone has high levels of food insecurity, "it is not clear whether and by how much this is Ebola related." Further, the survey reported that is "no evidence that quarantine restrictions are preventing food from reaching markets."

Difficult, but not a disaster

It is clear that the EVD outbreak has had a significant effect on rural agricultural communities. As was the case for SMEs, this impact seems to have been the result more of the quarantine restrictions than the disease itself. However, the economic impacts do not seem to amount to the crisis that some have claimed. Most certainly food insecurity exists, but this is not unusual in a country where the period from May is known as 'the hungry season'. Whilst it seems likely that more people are food insecure than in 'normal' years, farmers and farming communities appear to have improvised to adapt to the restrictions imposed by the containment measures. The impact reported by SOBA on traders suggest that EVD has caused a reverse in efforts to increase trade in cash crops. Before the EVD outbreak sales of vegetables had been increasing: since the crisis sales trends for food traders suggest that non-essential food items are being substituted with staples like rice. This is likely to be a function both of vegetable farmers having problems accessing markets (53% of traders reported a decline in availability in the supply of vegetables), and of households using restricted incomes to buy essentials. However,

27 Spering L *Sierra Leone, rapid seed system security assessment*. Catholic Relief Services December 2014

28 *Ibid*, p15

29 World Bank. *The socio-economic impacts of Ebola in Sierra Leone*. 12 January 2015



it's important to note that this food and nutritional substitution or restriction was also common practice throughout Sierra Leone prior to the outbreak of Ebola.

Some effects of the past year will take time to unwind, most obviously the debt situation. **Farmers and traders have unpaid debts to banks, other financial institutions and indeed sometimes to their suppliers. Until these are addressed people in rural communities will have problems in accessing loans, and banking institutions will be carrying unsustainably high levels of bad debt.** Within this financial situation, it is also unclear at this stage what will happen to the relationship between farmers and traders. Historically, traders have evidently been important in providing finance to farmers, in which case their compromised position may prove a problem. However, some interviewees have suggested that traders abused their position, in which case their reduced status may prove to be a good thing. Nevertheless, despite fears of an economic disaster in agriculture, many of those interviewed for this study believed that things were improving and that within a year or two things in the agricultural community would be back to normal. Reports such as that of the CRS suggests that these expectations are realistic.

But what is 'normal'?

However, how desirable is a return to 'normal' in the context of Sierra Leone's agriculture sector? Although many interviewees viewed the pre-EVD period with rose-tinted hues, it is obvious that EVD exacerbated rather than caused many of the problems faced by rural Sierra Leoneans. Many farmers and traders faced financing problems in previous years, and the physical infrastructure in rural areas has long been a significant challenge. It is apparent that skills levels amongst many farming communities remains low and, as interviews with ABCs demonstrated, a lack of skills (in this case in basic mechanics) means that the programme to improve efficiency through the provision of tractors faces significant challenges.

Where next?

Self-evidently, now that the disease itself has largely been contained, an urgent first step to speed the recovery in the country's agriculture sector is a lifting of the quarantine restrictions. This move alone would have an enormously positive impact on farming and livelihoods.

There is a need to unwind the situation regarding agricultural finance. Loans are outstanding to financial institutions from farmers and traders, and many of these are unlikely to be repaid. However there is also a need to look at the whole structure of agricultural finance. As many interviewees made clear the current structure of bank loans does not take into account the seasonal nature of farming incomes and interest rates are far too high to be attractive. As a result farmers have relied on local financing institutions and on traders. What is needed is a system of proper agricultural financing .

Most of Sierra Leone's agriculture remains at a subsistence level, and moves to foster greater levels of cash crop production have been adversely affected over the past year. If a positive trend in more commercial agriculture is to be resumed, and indeed if subsistence farmers are to become more efficient, then skills levels need to be improved and inputs of all sorts – seeds, fertilisers, machinery and training – need to be provided in a timely and cost-efficient manner. As noted earlier, previous efforts such as the programme to introduce tractors, seem to have met with mixed results. In this case, the provision of tractors was not followed up with programmes to train farmers in maintaining them.



A number of the companies interviewed provide services to farmers on a commercial basis. It was reported that farmers are prepared to pay commercial providers, even though some support is available free through the Government because they are of better quality. Given that these companies have been badly affected by the outbreak, it seems very important that support be provided to them to help them recover. If agriculture is to improve over coming years, and the proportion of cash crops increase, then better inputs and training for farmers will be needed. Thus a commercial agricultural support industry needs to be fostered. In the short term, this means ensuring that such companies are not undermined by the GoSL's plan to provide free inputs to farmers. Over time, rural infrastructure needs to be improved both to facilitate domestic trade but also to allow better access to international markets. This is obviously both an expensive and long-term ambition. However even though roads are needed, it is not clear that the road construction proposed by the Government, is very helpful. Roads built on such a small budget will be of poor quality and will probably last only a year or two before falling into disrepair.

Mining

The hidden crisis

Whilst donor and media attention has been focused on addressing the EVD outbreak, arguably the bigger impact on the country, certainly in macro-economic terms, has been the huge change experienced in the past year in the mining sector, specifically in the export of iron ore.

From 2011, Sierra Leone's economy had been transformed by the huge expansion in iron ore exports by two principal companies, African Minerals and London Mining, driving double digit growth in GDP figures. At the peak of the boom, iron ore contributed 16% of Sierra Leone's GDP, and African Minerals' royalty payments to the Government amounted to \$2.5 million a month³⁰. Some commentators believed that this expansion marked a fundamental shift in the nature and structure of Sierra Leone's economy. The African Development Bank, for example, argued in 2013 that the expansion in the extractive sector "has spawned a process of structural transformation of the economy [with] a shift of productivity from the primary sector to the mining and extractive activities." This shift in core economic activities were also expected to lead to fundamental shift in the economy. The expectation was that "the transfer of workers from activities and sectors with low average labour productivity to those with high average labour productivity, thus contributing to an increase in average labour productivity for the overall economy and increased diversification and sophistication of exports."³¹ However, by the end of 2014, the situation with iron ore exports was rather different.³² On 16th October, London Mining fell into administration a week after the Chief Executive had said there was no value in the shares³³. In November, African Minerals suspended its operations in Sierra Leone because of a shortage of working capital. On 5th March 2015, African Minerals followed its fellow Sierra Leonean miner into administration, "after failing to repay its lender and partner in the Tonkolili iron ore project."³⁴

30 Biesheuvel T *et al.* 'Iron price war deepens crisis in Ebola-stricken Sierra Leone'. *Bloomberg Business*. 13 October 2014.

31 African Development Bank. *Sierra Leone – African economic outlook*. September 2013. P13

32 It should be noted that rutile mining has continued throughout the recent period and the main firm in this sector, Sierra Rutile has not been affected by the issues described here in relation to the iron ore sector.

33 Armstrong A. 'Ebola-hit London Mining collapses into administration'. In *The Daily Telegraph* 16 October 2014.

34 Antonioli S. *Iron Ore producer African Minerals to go into administration*. Reuters 6 March 2015



Some commentators have implied that the collapse of the mining firms was related to the Ebola, outbreak. The Commonwealth Secretariat's paper on regional trade, argued that "mining has been affected by the Ebola epidemic directly". Whilst it is certainly true that Ebola did have some effects on the mining firms, these were relatively slight. Shipping costs rose a little as insurance costs for ships putting into Sierra Leonean ports increased, and some ex-pat staff were evacuated. However, the core explanation for the mining debacle had nothing to do with Ebola: it came as a result of a complete collapse of the price of iron ore which declined 47% during the course of 2014. This, combined with two companies with insufficient financial strength to withstand the new situation, had highly significant effects.

However, at the same time as the sector was facing this serious crisis, some reports suggest that the wider benefits promised from the development of the extractive sector had not been delivered. A paper from the Institute of Development Studies reported that the employment, infrastructural and other developmental benefits anticipated by local people had not materialised. "There is increasing frustration among the unemployed and underemployed...coupled with unmet and unrealistic expectations of improved quality of living as a result of the extractives boom."³⁵ Looking particularly at the Tonkolili district, the paper reported that "many community members complained of underdevelopment, including lack of paved roads, running water and electricity in homes. Levels of unemployment in the area are reported to be high, due to a large influx of migrants in search of employment."

A fundamental challenge

The travails in the iron ore sector are highly material because the plans and goals set out in the Government's *Agenda for Prosperity* were based on the expectation of significant extractive revenues. Interviews with the National Mining Authority suggest that the challenge for Sierra Leone in terms of the rebuilding and development of its mining sector are considerable.

The country's legal and regulatory framework proved entirely incapable of proper and effective management of the extractive sector. Most obviously, there appears to be no law in place to deal with a company going into liquidation. Had the mining firms gone into administration, then local companies owed money would have been protected. However, because the firms went into liquidation, no protection at all was afforded to those left with unpaid debts. There is also a significant psychological impact to the collapse of the mining sector. Local companies regarded it as a matter of prestige that they had African Minerals or LonMin as clients and therefore did not regard them as in any way as a credit risk.

It also appears that basic contractual relationship between Sierra Leone and the mining firms was rather less than watertight. Royalties are payable by the companies to the GoSL after a shipment of ore has been made. The companies are permitted to make deductions from these royalty payments for various expenses. In interviews, the NMA made it very clear that contracts were sufficiently ill-defined to mean that the companies could enter into arrangements which permitted them artificially to increase their apparent costs, and therefore reduce the royalties paid to GoSL.

The Government's local content policy also proved wanting, not least because it still lacks the force of law. Yet despite being part of the agreements with the mining companies, it seems to lack any practical weight at all. Companies were meant to submit regular updates about their progress in employing and developing local staff. Apparently both iron ore firms failed to submit timely reports. The lack of sanction on the part of the GoSL is a matter of considerable concern.

35 Allouche J. 'Ebola and extractive industry' *IDS practice paper in brief*. February 2015



In the longer run, it is clear that there are very profound challenges to the introduction of a local content requirement in Sierra Leone. International firms require goods and services of consistent quality and standard: to do this is beyond most Sierra Leonean firms. Moreover, very few local companies are actually formalised. Skills levels are low, and therefore few Sierra Leoneans would have the relevant qualifications (for now, at least) to get jobs with international firms.

To be effective, Sierra Leone's local content policy therefore needs to include effective measures to make it practical, and to set clear processes to make its requirements realistic. The NMA cite the case of Ghana as an example. There, a company wanting to bring in an ex-pat member of staff has first to demonstrate why a local is not good enough. Second, it has to set out a plan by which a Ghanaian will be able to take the job over within 5 years.

To date, iron ore has been the main export commodity. However, exploration work has been undertaken to quantify other mineral reserves, although there are some challenges. According to the NMA, extraction of colombite and tantalite is complicated by the existence of many artisanal miners. The NMA also confirms that exploration work has been undertaken which has identified reserves of bauxite and gold: however prevailing world prices for these commodities are too low to make mining them in Sierra Leone cost-effective for the time being.

However, until Sierra Leone sorts out its regulatory environment then even if meaningful levels of any of these minerals exist, Sierra Leone will be incapable of benefiting properly from their exploitation. Furthermore, in seeking to develop these other assets, the NMA believes it to be important to consider who the investing company will be. By contrast to Sierra Leone, in Liberia, "the mine commissioner has not had any trouble with ArcelorMittal", which reportedly has continued to pay its suppliers and to maintain levels of employment.

The way ahead

So what are the prospects for the iron ore sector? The assets of both failed companies have been bought up. London Mining's Marampa mine was acquired by TMC, which itself is owned by the former Chairman of African Minerals (AML). In April it was announced that Shandong Iron and Steel had acquired AML's 75% stake in the Tonkolili mine. However, the immediate prospects do not look hopeful. According to the NMA these companies are still laying off staff – in late April TMC informed the NMA that it would be laying off a further 20 staff. The challenge seems to be that the cost base for both mines is too high given the current world price for iron ore. Furthermore, it is apparent from interviews that the NMA evidently believes that neither mine has been well managed. From the perspective of revenues, interviews suggest that there are differences of expectation between different parts of the GoSL. The Ministry of Finance are not anticipating any significant income from the iron ore sector in the foreseeable future. On the other hand, the NMA believe that limited iron ore exports may begin rather sooner, although no quantification of this was given.

In conclusion therefore, the story of the mining sector has been – to date at least – an unequal struggle between a poorly-resourced government and companies with more experience and guile in contract negotiation and management. The NMA appears highly willing to learn from this past experience is accumulating some well-qualified staff. However, on-going support will be needed to ensure that future contract negotiations are robust. It is also true that effective governance of the mining sector will need wider reforms of the business environment as well as more effective judicial support to law and regulation. There may also be rationale in proactively seeking out foreign investors more inclined to work with local authorities to develop local staff and supplier companies.



Conclusions and recommendations

The Ebola outbreak has received great attention both in terms of coverage in the media and in terms of donor response. As we move towards economic recovery, it is important to ensure that EVD does not dominate decisions about what needs to be done next. There is a need to correctly connect cause and effect and define actions accordingly. At present, some recovery plans address issues that do not seem to be the result of EVD as much as they are the result of long-term, wide-ranging structural inadequacies. Failure to tackle these wider challenges, and indeed rather to invest significantly in areas that may reinforce structural inadequacy, is counterproductive at best and dangerous at worst.

The economic impacts of EVD

The EVD outbreak – or rather, as has been repeatedly stressed in this report, the quarantine measures adopted to contain it – had the effect of constraining much of the Sierra Leonean economy. The economy shrank as opportunities for agriculture, trade and normal business disappeared.

At a farm and household level the closure of markets meant that people were able to buy and sell less, and therefore had less disposable income, even than normal. Whilst most people in rural areas appear to have been able to survive the outbreak, pockets of deprivation will exist, and these need to be addressed in a targeted way. However, more value-added activity ground to a halt. The movement restrictions within the country, and closure of borders impacted especially on the sale of cash crops. Those farmers seeking to move away from subsistence agriculture, and therefore the country's wider goal of increasing value-added in the agriculture sector have therefore been set-back. Restrictions in rural areas had a knock-on effect on those companies dependent on rural or agricultural customers as their normal client base dried up.

More generally the SME sector, and indeed large companies too, were squeezed from two directions. Firstly, levels of business declined dramatically. Coke for example saw its levels of business decline by 40%, the result of the curfew and bans on public gatherings. In all sectors, different aspects of the quarantine measures, as well as fear of the disease, substantially reduced levels of trade. Secondly companies also saw their cost base increase as movement restrictions constrained imports and the movement of goods, and therefore increased their price. Some companies also tried to retain staff rather than laying them off, thereby incurring costs not justified by the prevailing levels of business. Some even reported having provided goods and services to customers on credit in the hope of maintaining relationships.

The impact of these circumstances affected companies in different ways, with the result that some have survived, whilst others have gone under. How companies coped seems to have depended on two factors. Firstly, did they have sufficient resources available to be able to ride out the storm? Pajah Hatcheries and Fisheries, for example, had funding from AECF that they were permitted to use to cash-flow the decline in business during the EVD crisis. The second factor is the quality of a company's management, and whether they had the operational wherewithal to take the right decisions to preserve their business for the longer term. Many businesses failed because they were never going to be sustainable businesses – 'people with a business opportunity rather than a business', as one interviewee put it. Good businesses doubtless failed too, but many did because they lacked any form of management capability.

What seems apparent from the above, therefore, is that as soon as the EVD restrictions are lifted, so will the



weight that has so constrained the economy. Many of those interviewed reported that they were already seeing the situation ease up and that new business opportunities were emerging. However, the main constraint on the immediate resumption of ‘business as usual’ is the overhang of debt and financial challenge facing farmers and businesses alike. Farmers and traders have debts even where business was constrained. Companies either have debts used to shore up their business, or have substantially rundown their reserves and so are unable fully to maximise the opportunities now coming available. Because banks and other financial institutions are facing high levels of bad debt (and because of structural problems) they are not in a position to provide the funding needed. The speed with which Sierra Leone is able to bounce back from the impacts of EVD will depend significantly on how this financial over-hang is tackled.

Why ‘what is the economic impact of EVD’ is not the right question

The ‘exam question’ set for this study was to examine the economic impact of the EVD outbreak. However, as has become very apparent this is not actually the right question, and the scope of this study needs to be expanded if it is to be relevant.

Most obviously this is because of the impact on the Sierra Leonean economy of the demise of the two main iron ore companies. In 2013 mining contributed some 16% of the country’s economy: this has now disappeared. There seems little prospect of a quick fix. The global iron ore price remains depressed and, since the mines in Sierra Leone have high cost-bases, it seems unlikely that there will be significant levels of iron ore export in the near future. Furthermore, the questions raised by the Iron Ore mining decline about Sierra Leone’s ability actually to manage its extractive sector effectively are likely to take even longer to sort out.

However, what is also apparent is that **EVD did not ‘cause’ problems for the economy; what it did was to highlight and exacerbate existing challenges.** To seek, therefore, to put right only the immediate problems from EVD is to miss the point. It is important to see the outbreak in context, and to consider the challenges which faced the country even before the disease struck. In this regard, it is interesting to look at surveys conducted of Sierra Leone in years before the EVD. One such report, published by USAID in 2009 summarized the situation thus. “Corruption in government, a weak financial sector, dilapidated infrastructure, and widespread poverty and inequality across gender and income groups make Sierra Leone’s development challenge particularly daunting.”³⁶

As a joint report by UN, World Bank, the EU and the AfDB observed³⁷, the EVD outbreak was made worse by a very weak health system compounded by poor provision of and access to health facilities. The outbreak also highlighted, and was exacerbated by a number of pre-existing problems, including Sierra Leone’s weak infrastructure, for example inadequate provision of water, education, electricity and sanitation. As the report also says, poor governance also made the situation worse.

The issue of functional skills was raised in the Poverty Reduction Strategy Paper 2005-2007³⁸. This observed that, although access to education had improved since the civil war, fundamental changes needed to be made to increase literacy and develop skills “to a productive level.” This paper made clear that there was a lack of properly-qualified staff and properly-equipped facilities at both secondary and tertiary levels. As a result, the

36 Nathan Assocs. *Sierra Leone: economic recovery assessment*. USAID May 2009

37 UN, World Bank, EU & AfDB. *Recovering from the Ebola Crisis*. February 2015 p29

38 Government of Sierra Leone. *Poverty Reduction Strategy Paper 2005-2007*



education system was an impediment to the country achieving “equitable, broad-based development”. The challenge in the education sector was reported more recently, in 2013 by the African Development Bank, which observed that “education indicators are poor...adult literacy is at 40.9% of the population...gross enrolment for secondary school is 54.5%”.³⁹

Governance in Sierra Leone also represented a significant challenge even before Ebola struck – “Sierra Leone has immense challenges ahead with respect to improving judicial systems and governance, particularly in controlling corruption.”⁴⁰ Corruption has long been a profound problem. As a report by the Economist Intelligence Unit in 2008 observed, since the foundation of the Anti-Corruption Commission in 2000, it had secured only 38 prosecutions⁴¹. In 2014, Sierra Leone was ranked 119th out of 175 countries in the Transparency International Corruption Perceptions Index⁴². (Liberia was 94th) The wider business environment remains problematic, despite improvements made in the second half of the last decade. In 2015, Sierra Leone was ranked 140th out of 189 states in the World Bank Doing Business ranking. Particular problems included resolving insolvency and access to credit.

From studies of the impacts of EVD, it appears that banks may be facing high levels of non-performing debts as disruption caused by the disease has prevented loan-holders from repaying their debt. However, it is clear that this ‘credit challenge’ is also not new. According to the IMF in 2007⁴³, 31% of loans were non-performing which was seen as posing a significant risk for the banking sector in the long term. Indeed, an IMF Financial Sector Assessment Programme in 2006 concluded that Sierra Leone’s financial system was incapable of supporting private sector-led growth⁴⁴. A similar assessment by the World Bank found that demand for credit for productive purposes would come from as many as 160,000 customers with a combined loan volume of US\$43.5 million. Yet, at that time, credit reached only 13,000 customers, with a total loan portfolio of less than US\$1 million⁴⁵. As the USAID report concluded, “credit to the private sector falls short of demand and impedes growth.”

A further challenge that has been observed even in assessing the scale of the Ebola impact is the lack of reliable data to use as a baseline. Again, this lack of government capability in collecting and collating data has been observed in the past. In 2008, the World Bank observed that the GoSL had major gaps in its financial accounting processes because of “a lack of consolidation, an outdated base year for the consumer price index, a dated poverty survey and agricultural census, and unavailability of periodic data for industrial production and trade prices⁴⁶. Indeed, in 2008, Sierra Leone received a Statistical Capacity Indicator score from the World Bank of 42 (out of 100). Not only is this lower than the score of 49 that would be expected for a country with Sierra Leone’s characteristics, it is well below the median score for sub-Saharan Africa of 59.3.

Finally, Sierra Leone faces significant challenges in terms of infrastructure. As the USAID report states, much of Sierra Leone’s infrastructure was damaged by the civil war, and has never really recovered. In 2013, the African Development Bank cited a lack of good roads and access to electricity as major constraints. The 2015 Doing Business indicators rate Sierra Leone as 174th out of 189 in access to electricity and even within Freetown roads are in a poor state of repair. The mining boom led to some infrastructural upgrades, but it is not clear that these

39 ~African Development Bank *Op cit.* p11

40 Nathan Assocs *op cit* p21

41 Economist Intelligence Unit. *Country report: Sierra Leone* September 2008

42 Transparency International. *Corruption Perceptions Index 2014: results*

43 IMF *Country report 08/249* International Monetary Fund 2008

44 IMF. *Sierra Leone: 2006 Article IV consultation* IMF 2006

45 United Nations. Capital Development Fund. *Development of a sustainable pro-poor financial sector in Sierra Leone (2004-2009)* UN 2009

46 World Bank. *Structural capacity indicator summary description – Sierra Leone.* World Bank, 2008



developments have had any significant effect on the wider country.

The challenges 'caused' by Ebola are therefore not new. Certainly the disease exacerbated problems, but those problems existed before the disease. What needs to happen now is therefore a response to these deep-seated challenges, not one that looks only at what has happened in the past year.

Observations on the GoSL EVD recovery plan

Thus we turn to recommendations for action, and to begin a brief assessment of the Government's own recipe for recovery. In late April 2015, the GoSL presented in Washington DC its plan for recovery from EVD. The results of this study suggest that this recovery plan may need to be reconsidered in a number of ways:

Crop 2015

The proposal to provide seeds and fertiliser seems especially problematic. To begin with there is no evidence that there is actually a shortage of seeds. Indeed the Catholic Relief Services study of this topic concluded that there was not a problem at all.

Whilst it seems likely that the EVD outbreak has led to shortages of some farming inputs, the evidence suggests that the need will be variable: different things needed in different places. A blanket provision to all farming communities will be a waste of resources

More importantly a proposal to provide inputs (presumably for free) actually risks making the situation worse for SMEs in the agriculture sector. Seed companies already work with the GoSL and donors and any work to fill gaps in agricultural inputs needs to work through these companies, not bypass them.

The evidence we have of the ABCs is mixed. Relying on them as a key plank in the recovery process seems unwise without further, long-term investment in their capacity.

Small business financing

The finance sector is a mess and has been since long before the EVD crisis. Recovery plans from at least as long ago as 2009 cite this as a significant problem. The idea that this is going to be meaningfully addressed in the next 20 months is not realistic.

Certainly low interest rate loans would be useful in the short term. As noted above, many businesses which have managed to survive the past year have a debt overhang and are unable therefore to take up the opportunities beginning to appear.

There is also a need to re-finance the banking sector which currently has bad debt rates of between 30 and 40%. These institutions are in effect bankrupt.

However, in the longer run there is a need to re-structure the finance sector and the GoSL's monetary policy to make it possible for loans to be offered at sensible rates and for longer periods of time (typically now interest rates are c 30% pa and maturity a maximum of one year)



Cash for infrastructure

The reservations that have been expressed at the FSWG on the prospects for this proposed 'infrastructure upgrade' are well-founded. It is hard to imagine that roads built this way will last more than a few months. Certainly infrastructure is a major impediment for the private sector, but this is not the way to fix the problem. A more sensible approach would be to focus on key areas of need in terms of infrastructure and develop longer-term ways of funding that.

In effect therefore, this element of the private sector recovery ends up looking like a cash for work programme, which in turn suggests that the GoSL believes that there is an unemployment glut. Certainly, all the evidence suggests that contracting and closing businesses have led to job losses. However the solution here is to work closely with existing businesses and their business models to revive well-run businesses, rather than to promote the development of new companies established only to meet a short-term government incentives.

Recommendations

For the whole economy, the *sine qua non* for moving forwards is the lifting of the quarantine restrictions. Assuming that this is done reasonably soon, the following are a number of recommendations which seek to address the main challenges facing the Sierra Leonean economy. There is a need, in the short term, to address the issues arising from the outbreak itself. In the longer-term there are more fundamental issues, highlighted by the outbreak, that need to be addressed.

Short-term

Based on the findings of this study, the following steps are recommended to address the immediate impacts of the EVD outbreak:

Financing

Lack of capital is a challenge for those companies which have survived the past few months. A mechanism is needed to provide short-term capital to companies with viable business plans. From a developmental perspective, it would also be valuable if such companies were also able to demonstrate that they were at the apex of a value chain of smaller suppliers and companies. Thus some form of Challenge Fund, perhaps similar to the AECF, but probably with simplified processes, and making funding available of up to \$100,000 would be a valuable way of bridging the funding gap.

Providing markets

How can the current situation provide opportunities for local businesses? At present there is a good deal of international money in Sierra Leone. Whilst this will be short-term it makes sense that as much of it as possible is spent through or with local companies. At present this does not seem to be happening. Second, the recovery effort risks undermining the private sector, for example the Government's plan to provide free input to farmers risks undermining commercial opportunities for companies.

Intelligent use of the reconstruction support

Beyond the two points above, there is a wider need to ensure that the funds for reconstruction are as well-used as possible. Three particular issues need to be borne in mind:



Most of the focus so far has been on rural communities, yet the findings of this report suggest that companies in urban areas have been badly affected by EVD, yet have received little attention to date. It will be important to adopt measures to kick-start companies in urban economies so that they can recover as soon as possible and so create higher levels of urban employment.

Notwithstanding the importance of using donor funds to provide a market for local firms, it will be important to avoid creating a private sector that relies only on donor funding. Companies need to be encouraged to seek an indigenous, and therefore sustainable client base.

Effort needs to be made to ensure that other areas of the economy, for example product and service areas like transport, mobile and information technologies, media and market information are not neglected. A programme like SOBA is well-placed to address these areas.

Long-term

Given that the EVD outbreak has highlighted existing challenges, rather than caused new ones, it is necessary, in the longer term, to address the following issues:

Business environment and rule of law

It is evident that companies do not operate in a transparent legal and governance framework. Many companies interviewed felt that the business environment benefits a privileged few not the many. Action therefore is required to improve issues such as corruption and business practice. Furthermore, it is obvious that the Government lacks the capability properly to manage the extractive sector. Unless this is sorted out any future resurgence in the iron ore sector will not provide the benefits to the country that it ought. The new National Minerals Agency has undertaken an assessment of what went wrong in 2014: support is needed to strengthen institutional capabilities.

Business advocacy

Many of the businesses interviewed for this study expressed similar complaints about many issues, yet there seems to be no reliable medium to reflect these complaints to Government. There is a strong need for a 'voice of business' to make sure that the opinions of the business sector are expressed to the authorities, to support better evidence-based policy making. Examples in other small African countries, for example the Rwanda Private Sector Forum demonstrate how valuable business membership organisations can be in diagnosing what needs to be done. Furthermore, programmes such as Zimbisa in Zimbabwe and Enable in Nigeria demonstrate the value of business advocacy as part of a process of business environment reform. A similar process is needed in Sierra Leone.

Financing

The Challenge Fund or other mechanism proposed above will only ever be a short-term fix, rather than a long-term solution to the finance sector in Sierra Leone. The Government's recovery plan identifies the need to re-capitalise the banks, and this is necessary. However this is only part of the picture. As things stand, bank finance is not a feasible option for most entities. In the agriculture sector, loans are not structured to reflect the seasonal nature of farmers' incomes. In other sectors because loans are available only for a year, they are suitable only for short-term trading activities, not for investments aimed at creating wealth and jobs in the longer term. There is a need also to reduce interest rates, which are far too high.



Skills development

Companies fail not only because of a lack of funding, but also because of the absence of proper skills, both technical and managerial. The technical training institutions seem entirely inadequate and poorly equipped – indeed the establishment visited as part of this study had not received any significant upgrade since its foundation in 1964. Management education is virtually non-existent. There exists a small number of ex-pats, diaspora and others who can provide international level skills, but a bigger cadre of skilled managers and workers is needed. This is especially relevant if Sierra Leone is to have a realistic chance of making its local content policy a reality.

Concluding remarks

EVD has had a significant impact on Sierra Leone's economy. But it was not the disease, but the quarantine measures introduced to limit its spread which have strangled economic activity. Farmers could not properly tend their fields, or buy and sell as normal at markets. Companies saw their business disappear at the same time as costs increased. The EVD containment measures depressed economic activity in all sectors of the economy. However, when the containment measures are lifted, this depressive effect will disappear and normal economic life can resume. There are hangovers which will need to be addressed, most significantly the need to refinance and recapitalise much of the economy.

But the real recovery from EVD means looking at the factors that allowed that impact to be so severe. It also requires lessons to be learned from the collapse of the iron ore sector. Poor skills levels, inadequate financial structures, a weak corporate sector and poor governance: these are the issues that EVD has laid bare and which need to be addressed if the country is properly to recover, and a future crisis be avoided.



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