

# Sierra Leone

<b>Status Index</b> (Democracy: 6.15 / Market economy: 4.39) <b>5.27</b>		<b>Management Index</b> <b>5.73</b>	
<b>HDI</b>	0.298	<b>Population</b>	5.1 mn
<b>GDP per capita (\$, PPP)</b>	548	<b>Population growth<sup>1</sup></b>	2.0 %
<b>Unemployment rate</b>	-	<b>Women in Parliament</b>	14.5 %
<b>UN Education Index</b>	0.35	<b>Poverty<sup>2</sup></b>	57.0 %
		<b>Gini Index</b>	62.9 (1989)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. <sup>1</sup> Annual growth between 1975 and 2003. <sup>2</sup> People living below \$ 1 a day (1990-2003).			

## A. Executive summary

At the beginning of the period under review, Sierra Leone had just emerged from a devastating eleven-year war, “imported” from neighboring Liberia and waged by the domestic, essentially youth-based *Revolutionary United Front* (RUF) rebel movement and then-Liberian warlord Charles Taylor. The war, which ended officially in January 2002, turned the Sierra Leone into a “failed state.” The formal economy lay in ruins; millions of people (i.e. almost one-half of the population) had been displaced while tens of thousands died because of violence and other war-related effects (diseases, hunger etc.). Sierra Leone was rated at the bottom of the UNDP Human Development Index in large part due to the war, as well as authoritarianism, corruption, mismanagement and adverse world market developments.

The war could not have been brought to an end without massive external intervention and assistance, which was almost tantamount to a re-colonization of the country four decades after independence in 1961. The restoration of basic security structures, the rebuilding of the state and socioeconomic reconstruction and rehabilitation would not have been imaginable without similar intervention and assistance. Many displaced persons and ex-combatants had to be resettled and reintegrated into society and the peace and reconciliation process. The economy had to be reconstructed from the bottom up while the ravages of mass poverty—one of the major causes of the war—had to be addressed. Finally, the state and its institutions had to be rebuilt. Capacity-building was often quoted as one of the key tasks for state structures and public administration. Without external—primarily British and United Nations—assistance, the prospects for gains in socioeconomic, politico-administrative and security issues would have remained beyond reach.

The de facto re-colonization of the country is the framework for economic and political transformation that was on the agenda of both the international community and the Sierra Leonean government in 1998. Owing to external intervention and support, Sierra Leone was able to attain the level of a defective

democracy and implement a highly “informalized” free market economy; it has a long way to go before it becomes a fully developed democracy and has a socially integrated market economy.

Sierra Leone has achieved the goal of instituting some democratic structures and has transparent elections; national presidential and parliamentary elections were successfully held in 2002. At the turn of the same year, chieftaincy elections followed suit. A process of decentralization led to local elections in 2004. However, Sierra Leone has failed to fulfill a number of political transformation criteria normally attributed to democracies. Deficiencies in the separation of power, rule of law and protection of human rights exist and the country is fraught with corruption, mismanagement and low state institution capacities.

Sierra Leone’s economic performance has improved significantly with IMF, World Bank and donor assistance since 2000. However, high growth rates, moderate inflation and the stabilization of several macroeconomic data are achievements at an extremely low level. In 2003 and 2004, Sierra Leone showed a slump in GDP growth, an upsurge of inflation and severe budgetary imbalances, due partly to war-related socioeconomic dilapidation, partly to domestic mismanagement and corruption, partly to external, i.e. world market- and donor-related factors. Subsequently, the government had difficulty in meeting IMF performance criteria.

Sierra Leone’s level of difficulty for transformation is very high. Domestic—both, private and state—capacity to improve Sierra Leone’s economic, political and security situation in a self-sustaining manner is extremely low. The country will remain dependent on external support for several years.

## **B. History and characteristics of transformation**

For a long time, Sierra Leone was unable to take significant and sustainable steps toward economic and political transformation due to low levels of economic and political development. As a consequence of British colonialism, the country’s prospects were burdened from the start with structural constraints. The high dependency of state revenues on the export of agricultural and mineral products, in particular diamonds, was one such constraint. Tremendously erratic world market demand and prices, as well as the long-term deterioration of the terms of trade—which were heavily stimulated by oil and energy price hikes in the 1970s—induced crisis after crisis. The country and its population also suffered from excessive corruption, mismanagement and authoritarian—periodically military—rule. Paradoxically, authoritarian rule, depicted as a remedy for crises, eventually became a major political and economic crisis factor itself. In the end, the country was brought to its knees by a bloody eleven-year war from March 1991 to January 2002.

The war spilled over from neighboring Liberia when warlord Charles Taylor and his politico-military organization, the *National Patriotic Front of Liberia* (NPFL), aimed to seize Sierra Leone's diamonds and fuel a violent struggle for power. Taylor also intended to "punish" Sierra Leone for participating in the Nigerian-led ECOMOG (ECOWAS Monitoring Group) military force, which prevented him from taking power in Monrovia in 1990.

Developments in Liberia however, constituted only one dimension of the Sierra Leonean war. The other dimension was constituted by a set of domestic issues easily exploited by the Sierra Leonean rebels, led by Taylor's ally Foday Sankoh and his rebel army, the RUF. These issues included rampant corruption, authoritarianism and repression, mass poverty, severe social inequalities and a massive disaffection, especially among youth. Given the extremely adverse working and living conditions of a large part of the rural population in the regions bordering Liberia, it was very easy for Taylor's and Sankoh's armies to recruit local people who were ready to fight for betterment. In addition, quite a few people were recruited by force.

The war reshaped, complicated and brought to chaos a process of political transformation, which began in 1990 following the end of the Cold War. The authoritarian regime of Joseph Momoh, who succeeded the dictatorship of Siaka Stevens in 1985/1986, was then forced to drop the two-decade one-party rule of the *All People's Congress* (APC). A new democratic constitution and a multiparty system were introduced in 1991. However, the war destabilized the country and undermined the process of democratization and a military regime took over in 1992. The regime of Captain Valentine Strasser, which pretended to foster democratization, was neither able nor willing to buttress political transformation when the war gained momentum. As disappointment and political unrest grew in Freetown, the military regime finally collapsed in a "palace revolt" in early 1996. Influenced by external (donor) pressure, Strasser's successor General Julius Maada Bio saw no choice but to pave the way for democratic elections based on the 1991 constitution. The poll brought to power President Ahmad Tejan Kabbah and the *Sierra Leone People's Party* (SLPP), which had already ruled the country from 1958 to 1967. (In 1967/1968, the SLPP dominance was broken by military coups. Subsequently, the APC took over with the help of the military and later established a one-party rule.)

The elections, however, were poorly planned and lacked legitimacy; much of the population was either displaced or unable to register as a result of war. Subsequently, Kabbah was overthrown in a coup d'état in 1997. Yet, the ugly repressive military junta of Johnny Paul Koroma, who invited Sankoh's rebels to join his government, was overthrown after only nine months by a Nigerian-led external military intervention in 1998. Kabbah and the SLPP returned to power. However, the government survived renewed bloody attacks by Sankoh's rebels in 1999 and 2000 only because of foreign intervention. From 2000, troops sent by the former colonial power Great Britain effectively crushed the military capacity

of Sankoh's fighters. An international peacekeeping force, the United Nations Mission in Sierra Leone (UNAMSIL) in collaboration with the British military, restored a modicum of security, stability and stateness to the country, which had come close to becoming a "failed state" in the course of the war.

Kabbah was able to formally declare the end of the war in January 2002 and to organize new elections in May of the same year. Kabbah and the SLPP won approximately 70% of the vote in the elections. In contrast to 1996, the elections were almost all-inclusive, legitimizing the government to rule the country for another five years (up to 2007). Kabbah's willingness and demonstrated capability in ending the war coupled with his image as a favored individual among donors account for his electoral victory. In addition, the majority of the population expressed an urgent desire for peace and prosperity, both of which depended largely on the inflow of foreign financial and technical aid.

No significant progress toward economic transformation has been observed in Sierra Leone. Post-war reconstruction and rehabilitation have been the key issues rather than development. The IMF, World Bank and the donor community set the political framework. As early as 1994, the Strasser regime had been able to reach a mid-term agreement with the IMF, which the Kabbah government could capitalize on in 1996 and again in 1998. However, the formal economy could not be stabilized or revitalized in the war-ravaged environment of that time. During the war, economic development was characterized by a growing "informalization" and "criminalization." It was not until after September 2001, that the Kabbah government was able to conclude a PRGF agreement with the IMF. This agreement included conditions of fiscal discipline, anti-corruption policies, inflation containment, the ongoing liberalization of all sectors of the economy, the promotion of the private sector and the privatization of state-owned companies.

## **C. Assessment**

### **1. Democracy**

Economic and political transformation can only be imagined within the context of external intervention and support, which has been extensive enough to resemble a de facto re-colonization of the country. Without external pressure and influence, some form of authoritarianism, military rule or even renewed war and state failure are likely to recur in the near future. Under the prevailing circumstances, post-war Sierra Leone may be characterized as a defective democracy with a tendency towards authoritarianism and personalized rule. Separation of power, rule of law and respect for human rights are unsatisfactory, and the country is still plagued by corruption, mismanagement and low capacity of state institutions.

### **1.1. Stateness**

During the war, Sierra Leone's stateness, institutional structures, overall security and territorial integrity were all severely threatened. With international support, the post-war country is undertaking the process of reconstructing the state, restoring stateness in the hinterland, and promoting capacity building and rehabilitation institutions at the national, regional and local levels. Additional tasks can only be tackled successfully with a long-term perspective include:

- The empowerment of hundreds of thousands of resettled refugees, internally displaced persons and ex-combatants within an integrative community development which takes gender into account;
- The rebuilding of effective and reliable forces of internal and external security, i.e. police and military, including a very clear and exclusive definition of competencies, and depoliticization of military ambitions to take over the responsibility to govern and rule;
- The reconstruction of an effective and reliable civil administration at the national, regional and local levels, including the fight against corruption.

As of now, the state's monopoly on the use of force and its fundamental administrative and security infrastructure extend to the entire territory of the country again, but they remain deficient and highly dependent on external assistance.

A major asset in terms of rebuilding of the state is the relatively low level of ethnic, regional and religious division in the country, when compared to other African nations. Most people enjoy the same citizenship, and there is a common awareness of being part of the Sierra Leonean state and civil society. Nevertheless, there are divisions between North and South. Muslims make up 60 - 75% of the population and Christians make up 10 - 30%. Other major ethnic groups such as the Mende and Temne represent 30% each and the Limba and Krio 10% each. In the case of the Krio, who are descendants of freed slaves from the "New World" and concentrated in the Freetown peninsula, the percentage does not refer to the group as such but to the use of their language as a mother tongue.

Religion does not play any significant role in defining and legitimizing state and political power. The state is based largely on secular principles. The overwhelming majority of both Muslims and Christians view religion as a sphere separate from politics, and accept the separation of religion and state.

### **1.2. Political participation**

Under the constitution, mechanisms of political participation are now in force or in the making. Major constitutional guidelines include the separation of powers, a multiparty system and democratic elections. Universal suffrage and the right to

campaign for office are guaranteed. The May 2002 national presidential and parliamentary elections were generally viewed as free and fair by international observers. Transparent local elections were held in May 2004 during the process of decentralization, based on the Local Government Act of March 2004.

However, de facto restrictions to the eligibility of a large part of the population exist as a result of poverty and the lack of resources to enable candidature and campaigning. In addition, there are limitations on access to media presence and coverage. As a result of mounting disillusionment, voter participation decreased significantly from 2002 to 2004.

The government is endowed with formal democratic legitimization and, with external support in terms of security and stability, has been enabled to effectively govern Sierra Leone. Historically, the military and rebel militia were established as a major veto powers. The militia were defeated by British and United Nations troops, and the military was restructured, trained and ideologically “depoliticized” with international (mostly British) assistance. Whether the military and former militia fighters will be ready to accept the primacy of democratically legitimized state authorities has yet to be proven, especially with reduced international presence in the future.

Citizens are able to form parties or civil society organizations freely and without major restrictions. However, ethnic and regional cleavages play a role in the process of participation. The two major political parties – the ruling Sierra Leone People’s Party (SLPP) of President Ahmad Tejan Kabbah as well as the formerly-dominant All People’s Congress (APC), which is now an opposition party – are based in ethnic-regional strongholds, the Mende south and the Temne north respectively. The opportunity to participate in democratic processes is not independent of social status and gender. There are major gaps between rich and poor, urban areas and the countryside as well as men and women.

Freedom of expression is guaranteed without restriction by the constitution. However, there are de facto restrictions contrary to principles of democratic and human rights, which limit the ability of newspapers, persons and institutions to be critically outspoken about the government. As a result, Sierra Leone ranks only 120th of 193 countries in the Global Press Freedom Survey 2004 by Freedom House with a value of 58, one of the lowest ratings in the “partly free” section. Examples of severely affected media include the daily *For di People*, which has been temporarily suspended; its editor Paul Kamara has been repeatedly sentenced to prison, including a term of two years in 2004. The *African Champion* was forced to cease publication.

### **1.3. Rule of law**

A very important principle of the constitution is the rule of law and respect for human rights. There is a clear, de jure separation between the state powers, including the judiciary. However, in many respects there is a de facto lack of separation of powers between executive, legislative and juridical competences and a deficit of good governance. Moreover, there is a tendency to submit all executive, legislative and juridical procedures to the approval of President Kabbah and the dominating SLPP. It is becoming increasingly apparent that this effectively consolidates and perpetuates the respective power bases.

One of the major problems regarding rule of law is the judiciary. Although Sierra Leone initiated reform of this sector with external assistance in order to increase its independence and efficiency, the judiciary is still subject to political influence and corruption. Human Rights Watch concluded in a January 2005 report that “implementation of the rule of law remains weak” and expressed doubts “about the government’s willingness to guarantee economic, social and cultural rights.”

In some cases, officeholders suspected of corruption were put to trial. However, no legal mechanism was evenly applied to prosecute offenders. There is reason to assume that prosecution in individual cases was politically motivated.

During the war civil and human rights were massively and criminally violated, but they are guaranteed de jure in the post-war situation by the 1991 constitution. External actors have played a major role in reinforcing human rights. Moreover, a Truth and Reconciliation Commission (TRC), modeled along the South African example, as well as a U.N.-mandated Special Court for Sierra Leone (SCSL) have dealt with war crimes and crimes against humanity from 2002. Despite the positive trend, severe shortcomings persist. Problems regarding freedom of expression have already been mentioned.

Another area of concern is the security force. According to Human Rights Watch, “reports of extortion, bribe-taking, and unprofessional conduct remain common.” Amnesty International complained about a discrepancy in maximum sentences between national courts, which use the death penalty, and the Special Court, which uses life imprisonment.

### **1.4. Stability of democratic institutions**

The institutions of the executive and legislative branches, the government and parliament, are constitutionally and functionally democratic and relatively stable based on the victories of Kabbah and the SLPP in the national and local elections of 2002 and 2004. That stability is threatened, however, by clientelism and corruption in the ruling party, which tend to erode the democratic legitimacy of the institutions. Public administration and the judiciary function poorly due to

pervasive corruption and severe shortcomings in the professionalism of those in charge.

Although a significant part of the population is aware of these politico-administrative weaknesses, they do not call into question the stability of these institutions. Renewed political ambitions of factions of the rebuilt military could potentially prove a matter of concern, given the tradition of the armed forces of taking over when a severe crisis of the political system occurs.

### **1.5. Political and social integration**

The multiparty system, which was first implemented constitutionally in the 1996 election but suspended by a military regime in 1997-1998, was stabilized only in the aftermath of the war. Kabbah and the SLPP dominated the political arena in 1996-1997, and following their return to power in 1998, which was made possible by Nigerian military intervention.

There has been no continuous development of political opposition. In a 1996 poll the United National People's Party (UNPP) was the leading opposition party in the country. In 2002, the APC, which had dwindled to the level of a splinter party in 1996, came in second only to the SLPP. There is a clear distinction between the parties in terms of ethno-regional roots, bases and constituencies (primarily Mende south versus the north). The SLPP is relatively solid with regard to organizational resources and institutional structures. It displays a programmatic profile as a force promoting democracy and free market economy.

However, compared to the standards of developed countries, the SLPP is weak in any of the aforementioned arenas, and other political parties in Sierra Leone are even weaker. Most parties are committed to constitutionalism and peaceful activity but inter-party and intra-party rivalries remain significant.

Influential people with the government apparatus, the public administration and state enterprises, as well as private business and trade unions, all of which are mainly urban in character, largely shape the topography of interest groups. Important social interests, particularly those of the rural population and women, are greatly underrepresented.

As shown by relatively high voter participation in 2002 and 2004, a large majority of the population favors democracy. The decrease of voter participation from 2002 to 2004, as well as developments such as criticism of the government by certain media, indicates some disillusionment as regards the post-war democratic process.

The inclination towards social self-organization is growing, and sometimes results in enclaves. In general, this sector of the population is weak and vulnerable. As a



result of the eleven-year war, and despite the official perspective of reconciliation, mistrust among parts of the population is still strong.

## **2. Market economy**

After more than a decade of war, the Sierra Leonean economy was severely disrupted, leaving some sectors ruined. Some sub-sectors were so severely damaged that they came to a complete standstill. Presently, subsistence agriculture and the informal sector, supplemented by international humanitarian assistance, underpin the basic sustenance of a large majority of the population. Diamonds and some agricultural crops, such as cocoa, are the main products earning foreign exchange. In cooperation with foreign companies, mining of other important mineral products such as rutile is being rehabilitated. Moreover, the government is looking for foreign investment to develop new export products such as offshore oil and gas. Given the challenge of globalization on one hand and the country's structural weaknesses as one of the least developed countries on the other, Sierra Leone will remain volatile to fluctuations in the world markets of its major export and import products in the foreseeable future. Reconstruction, rehabilitation and development will only be possible with sustained external financial and technical assistance.

To qualify for external support, including access to debt relief for Heavily Indebted Poor Countries (HIPC), Sierra Leone will have to maintain good relations with the IMF, the World Bank and the donor community. Conditions include strict fiscal discipline, the fight against corruption, a liberalized economy, promotion of the private sector and the privatization of two dozen state enterprises. Foreign trade has largely been liberalized and little state intervention is apparent. The Sierra Leonean economy is theoretically close to a free market economy, which usually tends to attract private foreign capital. Yet, the structural weaknesses and the damages of war prevent *de facto* foreign investment in the current environment.

### **2.1. Level of socioeconomic development**

Sierra Leone has traditionally occupied the weakest positions in UNDP Human Development Reports; number 177<sup>th</sup> of 177 countries in 2004. The country is characterized by mass poverty, widespread malnutrition, high infant and child mortality, low life expectancy, a poor education system and insufficient availability of basic medical services. The incidence of HIV/AIDS is growing. The economic base is so weak that thoughts of self-sustained development and growth seem utopian. Sierra Leone is very far from any capacity for the self-reliance required to fulfill the basic needs of a growing population. The survival of a large share of the population is dependent on economic, social and medical services provided by international agencies, including NGOs. Social exclusion is a

reality for the overwhelming majority of the population.

## **2.2. Organization of the market and competition**

The Kabbah government committed themselves to IMF-style reforms in 1996. As of 2001, these plans have been put into the framework of a poverty reduction and growth program. The government presented the Poverty Reduction Strategy Paper (PRSP) in 2004, two years later than promised, due to the overwhelming economic problems of the post-war situation. A more comprehensive and long-term framework for economic and social planning was presented in another paper entitled “Vision 2025.” The papers differ in size and perspective, but their outlook is shaped by a strong commitment to a market economy and competition of private capital. However, the institutional framework to pursue relevant policies in this direction remains weak, while the informalization of the economy is gaining momentum. Resident Lebanese businessmen invested a significant share of domestic private capital. Sierra Leone is not very attractive for private foreign capital.

According to IMF conditions, Sierra Leone is committed to abolish state monopolies and oligopolies in strategic sectors such as energy, telecommunication and transport. Institutional incapacities, clientelist networks in the state apparatus, structural weaknesses of the economy, rampant corruption and low turnout of potential investors adversely affect the implementation of privatization and liberalization policies. Foreign trade and foreign exchange regimes are already subordinate to market mechanisms.

As a result of the war-related economic breakdown, Sierra Leone lacks an efficient financial sector. There are only very few banks engaged in market-related banking activities. The central bank lacks supervisory capacities and remains subordinate to political influence. In 2004, the financial sector was strengthened when existing banking institutions expanded their activities to newcomers such as the International Commercial Bank Ltd., owned by a Malaysian bank. Furthermore, small-scale business is promoted by a growing number of microfinance institutions. The severe lack of capital availability remains a large concern regarding reconstruction, rehabilitation and development.

## **2.3. Currency and price stability**

Due to pre-war corruption, war and mismanagement, Sierra Leone’s economy and living conditions were burdened with high inflation rates and monetary instability for a long time. Strict fiscal and monetary policies have resulted in the liberalization of the foreign exchange regime and a heavy inflow of external financial support, however, and the Kabbah government was able to reduce year-on-year inflation to single-digit percentages, thereby stabilizing the national

currency (Leone). As a result of persistent structural weaknesses, mismanagement and corruption, inflation accelerated again in 2003 and 2004, mounting to double-digit figures. This not only put severe pressure on the real income of the mostly poor population but also made the prospects of the economic consolidation process uncertain.

The huge level of foreign indebtedness in light of the country's low economic potential has threatened stability of the currency and prices further. Sierra Leone was able to gain access to the HIPC initiative of the IMF and the World Bank, but severe problems with setting objectives and achieving a consistent policy for stability remain. In 2004, the amount of foreign debt still stood at \$1.6 billion, which was equivalent to more than 150% of the annual GDP.

#### **2.4. Private property**

Legislation and the judicial system are responsible for enforcing private property and contractual rights, and private foreign investment is welcomed in principle. Property rights and the transfer of capital and investment income are guaranteed. Moreover, the Kabbah government developed a range of incentives, including tax exemptions, to attract private capital, and there is a program to privatize state-owned companies.

However, the *de facto* business climate for private investors is burdened with obstacles and risks, including corruption and inefficiency in the judicial and administrative systems, a dilapidated infrastructure and an unstable political environment. Moreover, the program of privatization, which was introduced in 1998 and reshaped in 2001, never really materialized due to political obstacles and the structural limitations of the war-ravaged economy.

#### **2.5. Welfare regime**

In Sierra Leone, most people are forced to rely on family and community structures as the social basis of survival. Subsistence agriculture, the informal sector and international humanitarian assistance are the economic framework of the living conditions of a large majority. On a very basic level, a public social insurance system, the National Social Security and Insurance Trust (NASSIT) exists. Projects in the social, health and education sectors at the local level are conducted by the National Commission for Social Action (NaCSA) which succeeded the National Commission for Reconstruction, Resettlement and Rehabilitation (NCRRR) in 2002.

In the case of ex-combatants, the National Committee for Disarmament, Demobilisation and Reintegration (NCDDR) was in existence until April 2004, when the institution was officially dissolved without any replacement. Under no

circumstances is the Sierra Leonean state able to offer social services and welfare mechanisms without external support. In any respect, the welfare sector remains heavily dependent upon international NGOs and official aid. Women do not have equal access to opportunities in any way, but they constitute a target group of many domestic and foreign NGOs.

## **2.6. Economic performance**

Owing primarily to the rehabilitation of basic agriculture and the boom of the informal sector, Sierra Leone displayed extraordinarily high rates of growth after 2001. Growth was largely due to the resuscitation of sectors and regions that had had zero output because of the war and the displacement of people. After the first phase of reconstruction, growth slowed to single-digit rates. The dynamics and diversification of the economy are not well developed. Foreign exchange income is heavily dependent upon only one product, diamonds, while alternative products such as rutile, bauxite, oil, and agricultural crops have yet to prove their potential.

While growth of GDP slowed down in 2003 and 2004, inflation accelerated again, limiting the mid-term prospects of the economy. Privatization and foreign investment are still awaited, and foreign debt remains a heavy burden for the economic future of the country. Subsequently, to give some breathing space to the Sierra Leonean economy as well as the decision makers in Freetown, the PRGF agreement had to be extended from September 2004 to mid-2005 by the IMF in response to the unsatisfactory economic development.

## **2.7. Sustainability**

Ecological aspects have second-degree importance in political decision-making, given the challenge of reconstruction, the need to develop export products as sources of foreign exchange as well as the urgent basic needs of the mostly poor population. Although there is an awareness of ecological problems, legislation, decision-making and action are geared towards short-term survival rather than long-term sustainability.

Education and infrastructure, especially roads, are largely still in bad condition or even in a state of dilapidation as the result of war. Although a process of reconstruction and rehabilitation was started even before the official end of the war, institutions for education, training, research and development work inadequately at all levels. The condition of the transport infrastructure including roads is still not supportive to economic and social development. No research and development sector of any developmental significance has been established so far.

### **3. Management**

In dealing with the severe consequences of war as well as the long-term effects of pre-war corruption and mismanagement, there is officially high commitment among major political actors to economic and political transformation goals, including good governance and capacity building. However, de facto corruption, mismanagement and inefficiency persist, and powerful vested interests hamper economic rehabilitation, counteracting economic and political transformation. Moreover, from the point of view of the government, maintaining power is a major strategic priority, which means that decision makers take into account the influence of vested interests in the process of decision-making and action. Resource efficiency and consensus-building are deficient. Government performance in international cooperation is in principal good, but mixed in reality.

#### **3.1. Level of difficulty**

The level of difficulty for transformation in Sierra Leone is extremely high. This is caused partially by deficits in good governance, but there are also factors beyond the responsibilities of the government. The socioeconomic constraints on governance are tremendous. The most severe internal constraints are mass poverty, deficient infrastructure, the lack of economic diversification (including the generation of foreign exchange) and the extremely low level of qualifications among the economically active population. Major external problems result from the unclear economic and political prospects of conflict-ridden neighboring countries like Liberia, Côte d'Ivoire and Guinea.

Traditions of civil society are not well-developed. In recent years, many activist individuals and organizations have been encouraged by the prospects of democratization, but civil society has not been able to build upon its minimal traditions. A landscape of civil society organizations now exists, but is plagued by scarce resources. In recent years, there has been evidence of a low-level yet growing civic culture of participation in public life.

Although ethnic and religious splits are of minor importance compared to other African countries, major regional and social divisions exist between the ruling and major opposition parties. While the APC is trying to foment disenchantment and protest to establish a political forum at the national and local levels, the SLPP is primarily interested in maintaining its power base. Subsequently, political rivalries between major political parties prevail. Chances of building a consensus are slim.

**Profile of the Political System**

Regime type: <i>Democracy</i>	Constraints to executive authority:	4
System of government: <i>Presidential</i>	Electoral system disproportionality:	10.4
	Latest parliamentary election:	14.05.2002
	Effective number of parties:	1.6
1. Head of State: <i>Ahmad Tejan Kabbah</i>	Cabinet duration:	05/02-present
Type of government: <i>single party majority</i>	Parties in government:	1
	Number of ministries:	25
	Number of ministers:	28
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Electoral disproportionality (Gallagher index) reflects the extent to which electoral rules are majoritarian (high values) or proportional: <math>\sqrt{1/2 \sum (v_i - p_i)^2}</math>; <math>v_i</math> is the share of votes gained by party <math>i</math>; <math>p_i</math> is the share of parliamentary mandates controlled by party <math>i</math>. For presidential/ semi-presidential systems, the geometric mean of presidential election and parliamentary election disproportionality is calculated. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = <math>1/(\sum p_i^2)</math>; <math>p_i</math> is the share of parliamentary mandates controlled by party <math>i</math>. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>		

**3.2. Steering capability**

Given its large majority at the national parliamentary level, the political leadership is able to organize its policies according to strategic aims beyond the immediate concern of political competition. However, rather than exercise its own capabilities in administrative and economic management, the government depends on the IMF, World Bank, UNDP and other international actors. In addition, the government lacks the capability and qualified personnel in the areas of administration and security to rule the country effectively without external support.

The political leadership shows awareness regarding the goals of constitutional democracy as well as a socially responsible and ecologically sustainable market economy, but is not able to adequately execute policies derived from these insights as a result of a severe lack of qualifications, professionalism and institutional capacity.

The political leadership responds to mistakes and failed policies with changes and adjustments, but does so mostly as a result of IMF, World Bank and donor pressure and influence. Learning processes are forced upon the political elite by external actors rather than by their own insights.

**3.3. Resource efficiency**

Due to the power of vested interests, the government uses only some of its available resources efficiently. Resources, which cannot be assessed in quantitative terms, are allocated to groups and individuals in order to satisfy

private needs. To some extent, government officials consume state resources themselves. The cabinet comprises more than two dozen ministers as a result of clientelism.

As a consequence of war, corruption and mismanagement, the state budget is notoriously unbalanced. There is a significant gap between domestic revenue and expenditures. The government has to rely on domestic and external financing in order to execute the budget, which tends to increase the indebtedness of the Sierra Leonean state to both domestic and foreign creditors. On the positive side, however, the government was able to increase its share of capital expenditures from 16% to 23% in the period from 2002 through 2004, largely due to donor assistance. Regarding the allocation of resources, the government has tried to balance conflicting objectives and interests but often fails to reach this target.

Under the pressure of vested interests in the state apparatus, the government has not been able to successfully fight corruption. Corruption remains a major problem despite the Anti-Corruption Act (2000) and the creation of anti-corruption institutions such as the Anti-Corruption Commission and anti-corruption campaigns. According to the Corruption Perception Index (CPI) of Transparency International, Sierra Leone ranks 118th of 145 countries; its CPI value of 2.3 is not much better than those of countries like Cameroon and the Democratic Republic of Congo, which are notorious as negative examples in reports on corruption.

### **3.4. Consensus-building**

Officially, the political leadership is highly committed to democratic and economic transformation. In that respect, it is striving to build a broad consensus in an inclusive approach. National reconciliation to heal the wounds of war is also on the official agenda. In reality, however, policies and politics of the government are often geared towards emphasizing conflict and dissent rather than establishing consensus and promoting national reconciliation. Reconciliation between victims and perpetrators of wartime is mostly arranged by international actors and their programs rather than by government initiatives.

Veto actors such as the military and former rebels have been brought largely under control owing to external support from Britain and UNAMSIL. The failed coup d'état of January 2003 indicated there is still dormant hostility within Sierra Leonean society, which could prove risky for political stability and the political survival of democratically elected governments in the future.

As a result of initiatives by foreign actors the government tries to promote social capital, but encounters difficulties in achieving progress because of its own administrative and economic constraints. In theory, the political leadership is ready to enable the participation of civil society but severe lack of economic

resources persists. Moreover, the political leadership tends to favor civil society actors who are in line with its own political and economic interests, while actors opposing its interests are not encouraged to the same extent.

### **3.5. International cooperation**

Given the huge dependence on foreign assistance in economic and security terms, the Sierra Leonean government is very open-minded to international cooperation, which it tries to use primarily as a means to strengthen its rule and only secondarily as a means to support and legitimize its domestic reform policies. The government has received a great deal of financial, technical and security support from major donors, including Great Britain, the United States, and the EU as well as the IMF, World Bank and the U.N. system. The relationship between Sierra Leone and the international donor community developed in such a way that Kabbah and his government have occasionally been termed the “darling of the donors.”

Although the government has displayed a high degree of intention to fulfill demanding IMF and World Bank conditions, Sierra Leone repeatedly fails to meet their performance criteria. Since the government has been compliant to IMF and World Bank policies in principle, both organizations have been ready to grant Sierra Leone waivers and extend existing loan agreements. In the case of the IMF, the PRGF agreement which was scheduled to last from September 2001 to September 2004 was extended first to March 2005 and then again to June 2005 following strong renegotiations.

While most major international actors do not doubt the commitment of the government to IMF and World Bank policies, they realize that there are severe problems in terms of economic and developmental constraints. International partners concede that the government has successfully been fighting the specter of state failure. The perception, especially in the United States, that failed states can pave the way for international terrorism is an advantage to Kabbah and his government, who are working towards stability for Sierra Leone. In that respect, there is a mutual overlapping of interests.

However, the regional West African environment remains complicated, especially with regard to conflict-ridden neighboring countries, namely Liberia, Côte d'Ivoire and Guinea. Sierra Leone is now well integrated into the Economic Community of West African States (ECOWAS). After the departure of President Taylor from Liberia in August 2003, the Mano River Union (MRU) was revitalized as a sub-regional organization. It not only emphasizes economic cooperation and integration but also offers a framework to discuss and find solutions to security problems of mutual concern between Sierra Leone, Liberia and Guinea. Moreover, the Kabbah government complies with the charter, aims and policies of the African Union. However, given the huge problems of



economic reconstruction and state formation in Sierra Leone itself, the government is unwilling and unable to serve as an active cooperation partner in the sub-regional and continental arenas.

#### **4. Trend of development**

During the period 2001-2004, Sierra Leone has made substantial overall progress in terms of political transformation, with democratic elections from national to local levels. However, heavy structural weaknesses and constraints in the country mean this process is not irreversible. Sierra Leone has also taken steps towards transformation within the economic sphere, but has not been able to produce sustainable dynamic leading toward socioeconomic development. What has been achieved in socioeconomic terms could be better described as reconstruction, rehabilitation and consolidation from the ground up, along with a low level of overall improvement.

##### **4.1. Democratic development**

Stateness was largely restored from the level of state failure after the official end of the war in 2002. The political system in Sierra Leone meets some of the minimum requirements for a democracy. While democratic procedures and mechanisms of participation were put in place, severe problems concerning the rule of law and the efficiency of the judiciary remain. However, a democratically legitimate government has been in power for more than three years, undisputed by civil war or unrest. The delineation of executive, legislative and judiciary powers remains unsatisfactory and corruption is rampant. In this environment, decentralization, which is supposed to further strengthen democratization, may in fact turn out to be the “decentralization of corruption,” according to a World Bank staff member.

Given the highly positive stance of President Kabbah within the international donor community, his position in Sierra Leonean politics has been strengthened to the extent that he has developed an increasingly personalist rule. He has capitalized on his image as the “darling of the donors,” which helped him build up a domestic power base that he had lacked before. Subsequently, domestic political development risks relapsing into some form of authoritarian rule, including human rights violations.

##### **4.2. Market economy development**

Sierra Leone has not developed a socially responsible market economy; rather, it has only achieved limited progress from the war-related economic dilapidation. In the UNDP Human Development Reports, Sierra Leone occupied the last rank of

those countries for which data were available, falling from a ranking of 173rd in 2002 to 177th in 2004. The HDI figure for 2000 was 0.275, with the 2002 figure even lower at 0.273. Given the upward tendency of reconstruction and the provision of basic services, the HDI may have increased since, but there is no doubt that Sierra Leone will remain among the least developed of the poorest countries for years to come.

The institutional framework of socioeconomic development in terms of market economy and competition did not change significantly after the war ended in 2002. There is, in principle, a set of incentives to stimulate private and foreign investment. However, progress is hampered by the de facto structural weaknesses and the war-related dilapidation of the economy. Inflation rates, which had been marked by a downward trend until 2003, have since turned upward. High GDP growth in recent years tended to de-emphasize the burden of problems concerning the stabilization and diversification of the economy that indeed remain immense. Most importantly, Sierra Leone has not been able to revitalize or develop products that could serve as an alternative to diamonds in generating export income, improving the trade balance and creating a less vulnerable overall balance of payments position.

#### Development of macroeconomic fundamentals (2000-2004)

	2000 <sup>a</sup>	2001 <sup>a</sup>	2002 <sup>a</sup>	2003 <sup>e</sup>	2004 <sup>p</sup>
Growth of GDP in %	3.8	17.9	27.5	9.3	7.4
Export growth in %	22.3	6.1	48.9	27.4	26.2
Import growth in %	100.3	20.6	54.4	15.6	22.7
Inflation in % (CPI)	-0.9	2.6	-3.7	8.2	13.6
Investment in % of GDP	8.0	7.6	10.1	14.3	21.4
Domestic Revenue in % of GDP	11.4	13.0	12.1	12.4	12.2
Unemployment in %	N/A	N/A	N/A	N/A	N/A
Budget deficit in % of GDP	9.3	10.6	8.3	6.7	7.5
- excluding grants	17.3	16.5	16.5	14.5	16.6
Current account balance in \$ millions, excluding official transfers	142.6	165.0	113.6	139.7	185.2

Sources: IMF Country Reports 04/420 (28.12.2004) and 05/23 (24.01.2005); a. actual; e. estimates; p. projections. – As a result of war, unemployment is very high. Yet, no official figures are available.

**D. Strategic perspective**

Sierra Leone will face challenges in ensuring democratic development beyond the Kabbah presidency. Problems are also likely to recur should the international presence withdraw. Democratic institutions and procedures are neither self-sustaining nor irreversible. Their viability and durability depend upon the commitment of international actors. Given Sierra Leone's weak economic framework as a result of war, international dependency, globalization, corruption and mismanagement, it will not be capable of transformation toward a socially integrated market economy in the near or medium-term future. However, GDP growth, economic diversification, the revitalization of mining products and development of alternative foreign exchange sources may be achieved. Nevertheless, success in battling mass poverty beyond a simple stabilization of living conditions at low levels may prove elusive.

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

The most incalculable factors for the future of transformation in Sierra Leone are developments in the neighboring states of Liberia, Côte d'Ivoire and Guinea. War or violent conflict in these countries could spill over into Sierra Leone, particularly because the domestic causes of war in Sierra Leone, such as youth disaffection, mass unemployment, social inequalities and poverty, have yet to be thoroughly addressed. Any serious attempt to tackle the causes of war should focus on youth needs and their future prospects.