
SIERRA
LEONE
Socio-Economic
Indices

# Table of Contents

## *1. Introduction*

This paper is a quick reference guide for gauging Sierra Leone's economic, social and political performance as seen through international indices or other assessment processes. For this purpose, the document reviews 7 indices and 2 initiatives as assessment tools.

Indices

- Human Development Index (HDI), compiled by the UNDP
- Democracy Index, compiled by the Economist intelligence Unit
- Ibrahim Index, compiled by the Mo Ibrahim Foundation
- Fragility Index, compiled by Marshall, Goldstone and Cole
- Corruption Perception Index (CPI), compiled by Transparency International
- Ease of Doing Business Index, compiled by the World Bank
- Country Policy and Institutional Assessment Index (CPIA), compiled by the World Bank.

Initiatives

- Kimberly Process (KP), governed by the Kimberley Process Certification Scheme
- West African Resource Watch, governed by the Open Society Initiative for West Africa.

The paper attempts to serve three aims.

- to raise the awareness within the Government and development community of how Sierra Leone is seen by international institutions. For this reason, we try to present for each index the relative ranking of Sierra Leone as compared to other countries and, where possible the trend of each indices over time.

- to provide the Government and the donor community with some initial guidance on how to improve a number of key indicators and help design respective programmes and other interventions to improve the international image of Sierra Leone.

- to entice the Government and the international donor community to improve data collection and dissemination of economic, social and political indicators for Sierra Leone that would better reflect a better and more correct picture of the situation and recent developments in the country.

The indices provide quick and concise information on performance ratings associated with poverty, welfare, governance as well as the ease of doing business. The initiatives, on the other hand, gauge the degree of improvements in governance and economic performance with respect to the time the initiatives became operational.

There is no such thing as a perfect index or a flawless initiative. Neither do indices always reflect the best available knowledge. While there may be several other indices and initiatives, those employed in the paper have become industry standards. For example, the HDI has become the standard for measuring the level of development of a country. Likewise, membership of the Kimberly Process has become the standard for gauging the magnitude of a country's trade in conflict diamonds.

Overall, there have been slow but consistent essential improvements in the country's performances as seen through all the indices—except the corruption index.

## *2. The Human Development Index (HDI), 2003-2007*

### 2.1 Overview

The Human Development Index (HDI) refers to the process of widening options of persons, giving them greater opportunities for education, health care, income and employment—among other things. This index is compiled annually by the United Nations Development Programme (UNDP) since 1990. The HDI looks beyond GDP to a broader definition of well-being. In principle, the HDI is intended to gauge a country's development through a composite measure of three dimensions of human development:

- living a long and healthy life (measured by life expectancy)
- being educated (measured by adult literacy rate [two-thirds weighting] and combined enrolment at the primary, secondary and tertiary levels [one-third weighting]).
- having a decent standard of living (measured by purchasing power parity, PPP, income).

The HDI is used to measure whether a country is:

- Developed
- Developing, or
- Underdeveloped

Thus, countries fall into three categories based on the value of their HDI:

- countries that have HDI scores between 0.8-1 are regarded as having high human development
- countries with HDI scores between 0.5-0.79 have medium human development
- a HDI score of less than 0.5 implies that the country have low human development.

**Critique:** The index is not in any sense a comprehensive measure of human development. It does not, for example, include important indicators such as gender or income inequality as well as respect for human rights and political freedoms.

In spite of the criticisms, the HDI has had a significant impact on drawing the attention of governments, corporations and international organizations to aspects of development that focus on the expansion of choices and freedoms, not just income.

### 2.2 Sierra Leone and the HDI

Sierra Leone ranks among the world's least developed countries and has constantly found itself near the bottom of the UN's HDI (see Table 1). Since 2003 the HDI score for Sierra Leone has been within the range of 0.3-0.37, implying that the level of human development in the country is low. The 2007 HDI value of 0.365 ranks the country 180th out of 182 countries.

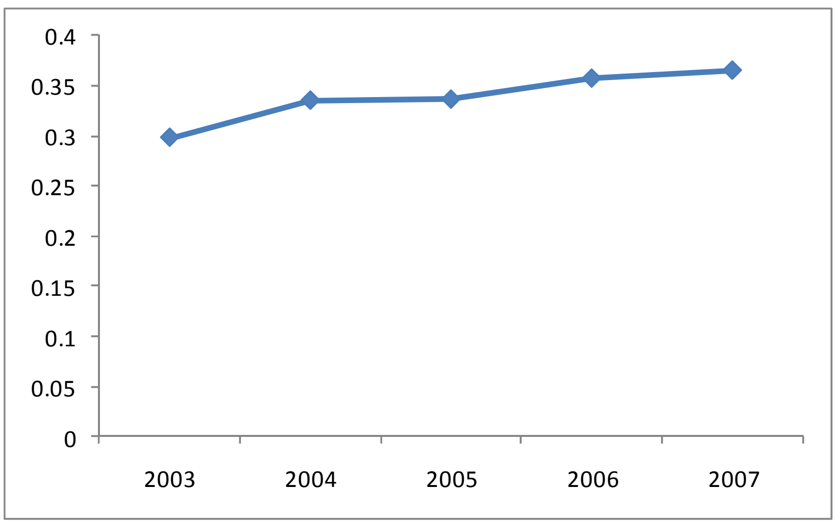
**Table 1: HDI Trend for Sierra Leone (2003-2007)**

| | **Rankings** | | | | |
|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** |
| HDI value | **0.298** | **0.335** | **0.336** | **0.357** | **0.365** |
| Country rankings | **176** | **176** | **177** | **180** | **180** |
| Number of countries in rankings | **177** | **177** | **177** | **180** | **182** |
| Life expectancy at birth (yrs) | 40.8 | 41 | 41.8 | 46.9 | 47.3 |
| Adult literacy rate (% ages 15 and older) | 29.6 | 35.1 | 34.8 | 37.1 | 38.1 |
| Combined primary and tertiary gross enrolment ratio (%) | 45 | 65 | 45 | 44.6 | 44.6 |
| GDP per capita (PPP US$) | 548 | 561 | 806 | 647 | 679 |

Source: Human Development Report, various issues

As shown in Table 1 and Figure 1, progress in basic human development indicators for Sierra Leone has been slow but consistent over the past 3 years. The improvement in Sierra Leone's HDI value is a result of increases in its HDI component indicators—notably, life expectancy and adult literacy—a sign of real and steady progress in human development. More recently, progress has also been made in the sphere of primary school enrolment and this will reflect positively in future HDI values if the current trend continues.

**Figure 1: Trend in Sierra Leone's HDI (2003-2007)**




### 2.3 Comments

HDI scores in almost all countries have increased progressively over the years. For Sierra Leone to improve on its current rankings, it needs to accelerate improvements in all component indicators of the HDI. Greater improvements in its GDP per capita and combined primary and tertiary gross enrolment ratios are needed to lift Sierra Leone to a higher level in the HDI rankings.

## *3. The Democracy Index 2008*

### 3.1 Overview

The Democracy Index provides a snapshot of the current state of democracy worldwide every two years in September for 167 independent states and two territories. This index is published by the Economist Intelligence Unit (EIU). Until now, there have been two editions of this index. The first edition was published in 2006 and the second in 2008.

The EIU's Democracy Index is based on five categories:

- electoral process and pluralism
- civil liberties
- the functioning of government
- political participation
- political culture

Countries are placed within one of four types of regimes: full democracies; flawed democracies; hybrid regimes; and authoritarian regimes. Each category has a rating on a 0 to 10 scale. The overall index of democracy is the simple average of the five category indexes. The index values are used to place countries within one of four types of regimes:

- Scores of 8-10 – Full democracies
- Scores of 6-7.9 – Flawed democracies
- Scores of 4-5.9 – Hybrid regimes (democracies)
- Scores below 4 – Authoritarian regimes

The index serves as a useful tool for comparing governance and development factors when planning programmes and anticipating issues that will impact future programmes. According to this measure of democracy, half of the world's population now lives in a democracy of some sort.

### 3.2 Sierra Leone and the Democracy Index

In 2008 the Democracy Index score for Sierra Leone was 4.11. This was an improvement over 2006 during which period the country scored 3.57. This also signified an improvement in the country's rankings from being the 121$^{st}$ in 2006 to the 112$^{th}$ in 2008 out of the 167 nations surveyed (see Table 2).

**Table 2: Democracy Index for Sierra Leone**

| Year | Rank | Overall Score | Electoral process & pluralism | Functioning of government | Political Participation | Political Culture | Civil Liberties |
|---|---|---|---|---|---|---|---|
| 2006 | 121 | 3.57 | 5.25 | 2.21 | 2.22 | 3.75 | 4.41 |
| 2008 | 112 | 4.11 | 6.58 | 1.50 | 2.78 | 5.00 | 4.71 |

Source: Economist Intelligence Unit, 2008.

According to the EIU, the shift from authoritarian regime in 2006 to a democratic (hybrid) regime in 2008 indicates that Sierra Leone is gradually improving its democratic system over the years. This designation thus, places the country among the 36 nations that are categorised as having hybrid regimes.

### 3.3 Comments

The EUI's conclusion that Sierra Leone has moved from an "authoritarian" regime in 2006 to a "democratic (hybrid)" status in 2008 is rather surprising and is an assessment probably not shared by other international observers - including the UN. In fact, Sierra Leone has had democratically elected governments since 1996 and has made considerable progress with regard to improving its democratic institutions since the end of the civil war in 2002. In particular, the 2007 presidential and parliamentary elections that led to a peaceful and democratic change of government has been widely acclaimed as an example of democracy in Africa.

## *4. Ibrahim Index on African Governance 2008*

### 4.1 Overview

The Ibrahim Index of African Governance is a comprehensive ranking of sub-Saharan African nations according to governance quality. The Ibrahim Index assesses national governance against 57 criteria. The criteria capture the quality of services provided to citizens by governments. The focus is on the results that the people of a country experience.

The criteria are divided into five over-arching categories which make up the cornerstones of a government's obligation to its citizens:

- Safety and security
- Rule of, transparency and corruption
- Participation and human rights
- Sustainable economic opportunity
- Human development

The Index has evolved to accommodate feedback and critiques from stakeholders, as well as changes in the governance context in sub-Saharan Africa. It was created in recognition of the need for a comprehensive and quantifiable method of measuring governance quality in sub-Saharan Africa, and has been designed to:

- Provide a tool for civil society and citizens to hold governments to account
- Stimulate debate on the governance, in particular by providing information about leadership performance
- Provide a diagnostic framework to assess governance in sub-Saharan Africa

Information is collected over a number of years so that the Index measures changes in the quality of government over time. The first was published in September 2007 and included data from 2000, 2002 and 2005. The Ibrahim Index is complied under the direction of Professor Robert Rotberg, Dr. Rachel Geiselquist and their team at the Kennedy School of Government with guidance from a panel of eminent African academics and corporate leaders.

Moreover the Mo Ibrahim Foundation has also set up a 5 million dollar award for the African leader that has distinguished him/herself for his/her good governance capacity.

One of the merits of the Ibrahim Index of Good Governance is that it allows foreign investors to gather an even clearer picture of which African countries offer the best business opportunities. According to a survey based on 2005 statistics, the Index has been hailed as the world's most comprehensive ranking of African governance.

### 4.2 Sierra Leone and the Ibrahim Index

Rankings based on historical data indicated that the countries which have shown the greatest improvements in governance between 2000 and 2005 are Angola, Rwanda, Eritrea, Burundi and **Sierra Leone**.

The 2007 rankings revealed that some of Africa's most economically powerful countries are not as well governed as some of its comparatively smaller counterparts—in the economic sense. In 2007, Nigeria ranked at 37$^{th}$ place among the continent's 48 nations, i.e., only two places ahead of Sierra Leone at 39$^{th}$ place. Kenya was at 15$^{th}$ place, below Lesotho (11), Malawi (12) and Tanzania (14).

The 2008 Ibrahim Index showed that between 2005 and 2006 Sierra Leone improved its overall score to 39, but relative improvement of its peers meant that it ascended two places to rank 37$^{th}$ out of sub-Saharan Africa’s 48 countries. Within ECOWAS, Sierra Leone ranked 12$^{th}$ out of 16 countries.

**Table 3: 2007-2008 Ibrahim Index Scores for Sierra Leone**

| Category | 2007 Score (out of 100) | 2008 Score (out of 100) | 2008 Ranking (out of 48) |
|---|---|---|---|
| Safety and Security | 79.7 | 79.6 | 25 |
| Rule of Law, Transparency and Corruption | 38.3 | 37.3 | 42 |
| Participation and Human Rights | 66.0 | 69.8 | 20 |
| Sustainable Economic Opportunity | 26.7 | 27.1 | 44 |
| Human Development | 31.7 | 31.8 | 45 |

Source: Mo Ibrahim Foundation, 2008

According to the Index’s comprehensive measures of governance performance, Sierra Leone improved in three categories (see Table 3): Participation and Human Rights; Sustainable Economic Opportunity; and Human Development. In Safety and Security Sierra Leone’s performance remained consistent. However, Sierra Leone’s scores fell with regard to the Rule of law, Transparency and Corruption. The most notable improvement was in participation and Human Rights, where Sierra Leone’s Score rose 3.9 points.

### 4.3 Comments

Sierra Leone could improve its rankings on the Ibrahim Index by working hard to enhance its performance on especially, Transparency and Corruption.

## 5. Fragility Index 2008

### 5.1 Overview

Fragility is the process that conflict-ridden states either enter into as a result of institutional failure or emerge from, in those cases where a political accord has been reached and a peace process has been put in place. The term fragility is intended to capture both the instability and the delicate nature of the limited capacity, unstable governance and fledging institutions often found in these environments.

While state fragility has now become an important part of the international political debate, it nonetheless remains an elusive concept. States become fragile and fail for several reasons. The lack of a clear and universally accepted definition can be traced to its multifaceted nature.

Measures of fragility reflect the quality of institutions in these states. The World Bank, for example, defines low income countries as fragile if they have a Country Policy and Institutional Assessment Index (CPIA) of 3.2 or below. However, given the limitations of the CPIA as a measure of state capacity, the term fragile is intended only as a guideline for identifying only those countries that may have special needs due to particularly low institutional capacity and a low IDA allocation out of the entire spectrum of developing countries that are the Bank's clients.

The State Fragility Index and Matrix by Marshall, Goldstone and Cole lists all independent countries in the world in which the total country population is greater than 500,000. The Fragility Matrix scores each country on both Effectiveness and Legitimacy in four performance dimensions: Security, Political, Economic and Social, at the end of the year. The state Fragility Index, then combines scores on the eight indicators and ranges from 0 "no fragility" to 25 "extreme fragility".

### 5.2 Sierra Leone and the Fragility Index

The 2008 State Fragility Index and Matrix in Table 4 indicates that Sierra Leone is the 7$^{th}$ most fragile state in the world out of 162 countries, paring with Nigeria and Rwanda but less fragile than Burundi, Central African Republic , Ethiopia, Iraq and Liberia.

World Bank President recently excluded Sierra Leone in his talk on fragile states and security development at the International Institute for Strategic Studies in Geneva. The African Centre for the Constructive Resolution of Disputes (ACCORD) in South Africa also believed Sierra Leone was one of very few countries in Africa with demonstrable prospects for good governance and the peaceful settlements of disputes.

Critics are, however, of the opinion that Sierra Leone could still not be far from being a fragile state because it is still one of those poor countries that account for about a third of deaths from AIDS.

**Table 4: State Fragility Index and Matrix 2008**

| | Fragility Index | Effectiveness Score | Legitimacy Score |
|---|---|---|---|
| Somalia | 25 | 13 | 12 |
| Sudan | 23 | 11 | 12 |
| D. R. Congo | 23 | 12 | 11 |
| Afghanistan | 22 | 12 | 10 |
| Chad | 21 | 12 | 9 |
| Myanmar (Burma) | 21 | 10 | 11 |
| Nigeria | 20 | 11 | 9 |
| Rwanda | 20 | 11 | 9 |
| **Sierra Leone** | **20** | **12** | **8** |
| Burundi | 19 | 12 | 7 |
| Central African Rep. | 19 | 10 | 9 |
| Ethiopia | 19 | 10 | 9 |
| Iraq | 19 | 9 | 10 |
| Liberia | 19 | 12 | 7 |

Source: Marshall, Goldstone and Cole, Global Report 2009

### 5.3 Comments

According to the World Bank President, fragile states lag behind in meeting all the Millennium Development Goals. A recent UNDP review disclosed that Sierra Leone will only be able be meet the 6th Goal, i.e., combat HIV/AIDS, malaria and other diseases. The country received the 2008 Peace Award in Durban City Hall, South Africa in recognition of the country's protection for human rights, peaceful settlement of disputes and good governance in public affairs. Thus, the debate on whether or not Sierra Leone is a fragile state is inconclusive.

## *6. Corruption Perception Index (CPI), 2003-2008*

### 6.1 Overview

Transparency International - an anti-corruption NGO - founded in 1993, has since 1995 published an annual Corruption Perception Index (CPI) ordering countries according to the degree to which corruption is perceived to exist among public officials and politicians. Although other CPIs exist (e.g., World Bank's Control of Corruption index and the index of the International Country Risk Group), Transparency International's CPI is by far the most widely used indicator for assessing the extent of corruption in individual nations.

**Critique**: Critics of the CPI assert that the index is not a comprehensive measure of the degree of corruption in a country. In particular, they question the quality of the index itself *vis-à–vis* the lack of standardisation and precision stemming from the use of third-party data that can vary widely in methodology and completeness from country to country as well as the lack of actionable insights created from a simple country ranking.

Despite these criticisms, nonetheless, the CPI serves as a valuable reminder that corruption remains widespread in very large countries and that the fight against this endemic disease dare not be relaxed.

### 6.2 Sierra Leone and the CPI

Transparency International's CPI scores for Sierra Leone have not been encouraging over the years. Sierra Leone has persistently scored less than 2.5 on a scale of zero to 10 (where 10 represents highly clean and 0 represents highly corrupt) since 2003 (see Table 5).

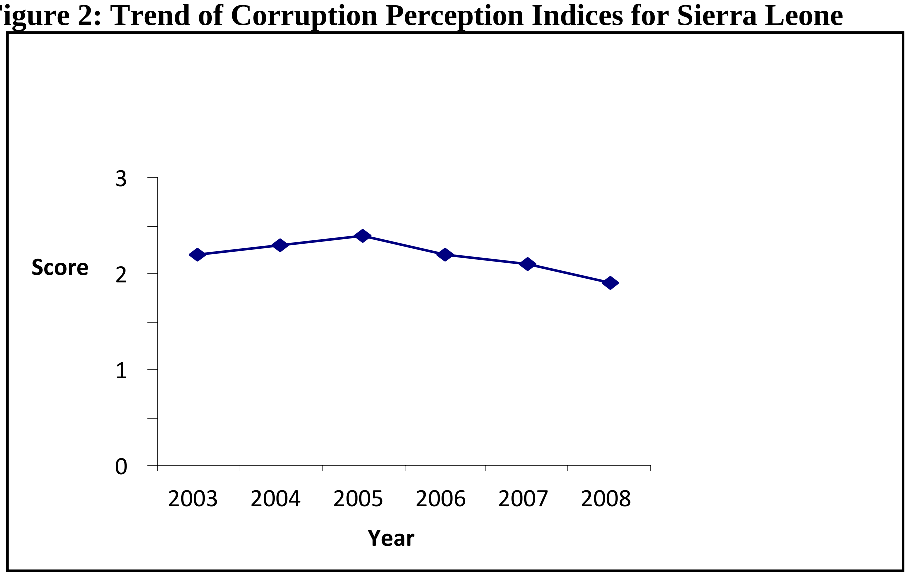
**Table 5: Corruption Perception Indices for Sierra Leone (2003-2008)**

| Year | Rank | Total Number of Countries Surveyed | Corruption Perception Index |
|---|---|---|---|
| 2003 | 113 | 133 | 2.2 |
| 2004 | 114 | 145 | 2.3 |
| 2005 | 126 | 158 | 2.4 |
| 2006 | 142 | 162 | 2.2 |
| 2007 | 150 | 179 | 2.1 |
| 2008 | 158 | 180 | 1.9 |

Source: Transparency International, 2009.

Referring to the Transparency International's CPI scores in Table 5, Sierra Leone has constantly remained among the most corrupt nations in the world. Whilst the perception on corruption gradually improved from a score of 2.2 in 2003 to 2.4 in 2005, it deteriorated thereafter. With a CPI score of 1.9 in the year 2008, Sierra Leone ranked as the 158th most corrupt nation out of the 180 nations surveyed—its worst ranking since 2003.

**Figure 2: Trend of Corruption Perception Indices for Sierra Leone**



### 6.3 Comments

That the CPI would indicate a worsening of corruption in Sierra Leone over the last three years is somewhat surprising given the many initiatives taken by the new Government to rectify the situation. The government's policy stance on the fight against corruption as a priority is evident through the global anti-corruption and awareness-raising campaigns, the many reforms in the Anti-Corruption Commissions that gave birth to the enactment of the Anti-Corruption Act in 2008 and the presidential campaign with a theme of *zero tolerance approach to corruption*. In addition, the body charged with the responsibility to fight corruption has been made independent. A key indicator of success will be the effectiveness of government management of its natural resources.

## *7. Doing Business Index 2008-2010*

### 7.1 Overview

The Ease of Doing Business Index is an index created by the World Bank that is meant to measure regulations directly affecting businesses. A high ranking on the ease of doing business index means the regulatory environment is conducive to the operation of business. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic.

A nation's ranking on the index is based on the average of 10 sub-indices:

- Starting a business (Procedures, time, cost and minimum capital to open a new business)
- Dealing with licenses (Procedures, time and cost of business inspections and licensing (construction industry))
- Hiring and firing workers (Difficulty of hiring index, rigidity of hours of index, difficulty of firing index, hiring cost and firing cost)
- Registering property (Procedures, time and cost to register commercial real estate)
- Getting credit (Strength of legal rights index, depth of credit information index)
- Protecting investors (Indices on the extent of disclosure, extent of director liability and ease of shareholder suits)
- Paying taxes (Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit)
- Trading across borders (Number of documents, number of signatures and time necessary to export and import)
- Enforcing contracts (Procedures, time and cost to enforce a debt contract)
- Closing a business (Time and cost to close down a business, and recovery rate)

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

**Critique:** Critics argue that the Doing Business indicators used by the World Bank and International Finance Corporation (IFC) are not exhaustive to actually tell the ease of doing business in a country. Other areas that are important to business such as an economy's proximity to large markets, the quality of its infrastructural services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business.

### 7.2 Doing Business in Sierra Leone

Table 6 indicates that Sierra Leone improved its ranking by 15 places between 2008 and 2010. However, rankings regarding the 10 indicators used in the Ease of Doing Business rankings exhibited mixed performances. While indicators for dealing with construction permits, registering property, trading across borders deteriorated in 2010, those regarding employing workers, getting credit, protecting investors, and paying taxes improved. However, issues relating to starting a business, enforcing contracts, and closing a business, remained the same in 2009. Of particular importance is the significant improvement in the areas of getting credit and protecting investors in the country, both of which improved their rankings by 20 and 26 points respectively, in 2010 relative to 2009. This could surely serve as a good signal to potential investors outside the country who are contemplating on doing business in Sierra Leone.

**Table 6: The Ease of Doing Business in Sierra Leone**

| Indicators | Doing Business (2008 rankings) | Doing Business (2009 rankings) | Doing Business (2010 rankings) |
|---|---|---|---|
| **Doing Business** | **163** | **156** | **148** |
| Starting a Business | 94 | 58 | 58 |
| Dealing with Construction Permits | 171 | 168 | 171 |
| **Employing Workers** | 173 | **167** | **166** |
| Registering Property | 175 | 165 | 175 |
| **Getting Credit** | **141** | **147** | **127** |
| **Protecting Investors** | **49** | **53** | **27** |
| **Paying Taxes** | **154** | **162** | **160** |
| Trading Across Borders | 133 | 135 | 137 |
| Enforcing Contracts | 139 | 144 | 144 |
| Closing a Business | 144 | 147 | 147 |

Source: World Bank, 2009

### 7.3 Comments

Overall, starting business in Sierra Leone has significantly improved, owing to an increased effort by government to address issues surrounding business environment in the country including business climate reforms. Thus, Sierra Leone was ranked as the easiest place to start a business in West Africa according to the 2008 World Bank CPIA report.

## *8. World Bank Country Policy and Institutional Assessment (WB/CPIA) 2008*

**8.1 Overview**

The Country Policy and Institutional Assessment (CPIA) is a diagnostic tool that is intended to capture the quality of a country's policies and institutional arrangements—i.e., its focus is on the key elements that are within the country's control, rather than on outcomes (such as growth rates) that are influenced by elements outside the country's control.

More specifically, the CPIA measures the extent to which a country's policy and institutional framework supports sustainable growth and poverty reduction, and consequently the effective use of development assistance. The CPIA consists of an overall score as well as sixteen separate scores, one for each of the criteria that compose the CPIA.

The CPIA tool was developed and first employed in the mid-1970s and over the years the World Bank has periodically updated and improved it to reflect the lessons of experience and the evolution of thinking about development. The CPIA rates countries against a set of 16 criteria grouped in four clusters (see also Table 71):

a) economic management
b) structural policies
c) policies for social inclusion and equity
d) public sector management and institutions

For each of the 16 criteria, countries are rated on a scale of 1 (low) to 6 (high). The scores depend on the level of performance in a given year assessed against the criteria, rather than on changes in performance compared to the previous year. The ratings depend on actual policies and performance, rather than on promises or intentions.

The rationale for CPIA is twofold. At the broadest level, experience has taught the development community that good policies and institutions lead, over time, to favourable growth and poverty reduction outcomes, notwithstanding possible yearly fluctuations arising from internal and external factors. The second reason the Bank undertakes the CPIA exercise is functional: the ratings help determine the relative sizes of the Bank's concessional lending and grants to low-income countries.

**Critique:** Critics argue that the costly and influential CPIA exercise is just another way to force borrowers into adopting the model of economic development supported by the Bank. Some cite the inability of the CPIA to discriminate between countries or over time. Others have observed that comparison between the overall CPIA scores and growth in GDP in the same year showed that many CPIA low performers are growing faster than countries that score well on the CPIA.

An external panel review in 2004 concluded that the index focus on the right set of issues and produce robust results. However, the panel also found unnecessary overlap in some of the criteria, and outlined actions to address some methodological and process issues.

In 2005, both the Asian Development Bank and African Development Bank adopted the World Bank's criteria as a starting point for their respective performance-based allocation processes. Although both the Asian Development Bank and the African Development Bank use the World Bank's CPIA questionnaire in its assessment of country performance, country scores may not necessarily be the same. Given that each multilateral institution is accountable for the use of its concessional resources, full institutional ownership of country ratings that underpin the allocation of these resources is critical.

### 8.2 Sierra Leone and the CPIA

Table 7 illustrates Sierra Leone's performance according to the 2008 CPIA. The revelation here is that the country's main strength lies in the Economic Management and more so in the Macroeconomic Management. The Economic Management cluster is the only sphere where the country scored higher than the average IDA borrower among the four clusters. Indeed, the authorities' commitment to stay the course with economic and structural reforms that ensures macroeconomic stability has enabled the country to weather the effects of the ongoing financial crisis more effectively, in comparison to other countries worldwide.

**Table 7: 2008 Country Policy and Institutional Assessment (CPIA) for Sierra Leone**

| | Sierra Leone | Average IDA Borrowers |
|---|---|---|
| **CPIA Cluster A: Economic Management** | | |
| 1. Macroeconomic Management | 4.0 | 3.7 |
| 2. Fiscal Policy | 3.5 | 3.5 |
| 3. Debt Policy | 3.5 | 3.5 |
| Average 1/ | 3.7 | 3.5 |
| **CPIA Cluster B : Structural Policies** | | |
| 4. Trade | 3.5 | 3.8 |
| 5. Financial Sector | 3.0 | 3.1 |
| 6. Business Regulatory Environment | 3.0 | 3.3 |
| Average 1/ | 3.2 | 3.4 |
| **CPIA Cluster C: Policies for Social Inclusion/Equity** | | |
| 7. Gender Equality | 3.0 | 3.4 |
| 8. Equity of Public Resource Use | 3.0 | 3.4 |
| 9. Building Human Resources | 3.5 | 3.4 |
| 10. Social Protection and Labour | 3.0 | 3.1 |
| 11. Policies & Institutions for Environmental Sustainability | 2.0 | 3.1 |
| Average 1/ | 2.9 | 3.3 |
| **CPIA Cluster D: Public Sector Management & Institutions** | | |
| 12. Property Rights and Rule-based Governance | 2.5 | 2.9 |
| 13. Quality of Budgetary and Financial Management | 3.5 | 3.2 |
| 14. Efficiency of Revenue Mobilization | 2.5 | 3.4 |
| 15. Quality of Public Administration | 2.5 | 3.0 |
| 16. Transparency, Accountability & Corruption in the Public Sector | 2.5 | 2.9 |
| Average 1/ | 2.7 | 3.1 |
| Overall CPIA 2/ | 3.1 | 3.3 |

Source: World Bank, 2009
1/ For calculating cluster averages, all criteria are equally weighted within a cluster.
2/ The overall rating is calculated as the mean of the score of four clusters.

Next, with regard to cluster performance was Structural Policies, where the country scored a 3.2 average, albeit lower than the IDA Borrowers' average. In particular, the country performed relatively well with respect to the terms Trade criteria. According to World Bank internal documents, trade restrictiveness is 75% minimal in Sierra Leone. The country has continued to maintain a reasonably liberal trade regime with no significant non-tariff barriers.

The government, however, needs to give a boost to the Policies and Institutions for the Environmental Sustainability criteria. This is an area (criteria) where the country scored the lowest CPIA ratings. Indeed, Sierra Leone is undergoing immense environmental degradation due to human interference with the natural environment.

Environmental degradation is mainly due to mining, deforestation, over-exploitation of the marine environment, and pollution from land-based activities (industries and sewage disposal).

**8.3 Comments**

Although the idea that aid contributes to aggregate growth only when a preferred set of policies are followed has been effectively discounted, this by no means lead to the conclusion that policies do not matter.

## *9. The Kimberley Process (KP)*

### 9.1 Overview

The Kimberley Process (KP) began in May 2000 in Kimberley (South Africa) as interested governments, NGOs and industry groups sought to come up with a practical way to prevent illicit diamonds from entering the legitimate diamond trade. As a result, the 'Kimberley Process Certification Scheme' (KPCS) was designed and entered into force in 2003, with the support of the UN and the WTO. The KPCS imposes extensive requirements on traders, such as trade controls and certificates of origin, a ban on trade with non-member countries, transparency and release of statistics on diamond production and trade. Under the KPCS, consumers can be confident that their purchases of diamonds are not fuelling violent conflict.

The KPCS now represents 75 countries, including Sierra Leone and all major diamond producing, trading and processing countries. Countries that participate must pass legislation to enforce the KP. They must also set up control systems for the import and export of rough diamonds. Participants are only allowed to trade rough diamonds with other participants. No uncertified shipments of rough diamonds will be permitted to enter or leave a participant's country. The aim is to prevent blood diamonds from entering the KP system. The KP participants (governments) and observers (the diamond industry, NGOs) meet once a year to discuss the implementation of the scheme. Working groups monitor participants' implementation of the scheme, assess applications to join, gather and analyze statistics, and discuss technical issues.

**Critique:** Critics argue that the KP was seriously flawed from the beginning. The Kimberley system of *voluntary self-regulation* on the part of the diamond industry signifies a significant lack of transparency and independent monitoring efforts. The World Diamond Council, initially established to represent the diamond industry at the KP, has failed to coordinate effective industry monitoring. Furthermore, governments have been uninterested in monitoring and regulating the diamond trade.

### 9.2 Sierra Leone and the Kimberley Process

Diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments, and are used to fund military action in opposition to those governments, or in contravention of the decisions of the Security Council are classified as *conflict diamonds* (according to the United Nations definition). Conflict diamonds came to the attention of the world media during the extremely brutal conflict in Sierra Leone in the 1990s. Trade in these illicit stones is believed to have fuelled decades of devastating conflicts in countries such as Angola, Democratic Republic of Congo, Sierra Leone and Cote d'Ivoire.

Conflict diamonds are high value commodities that can easily be smuggled and the KP controls have not been able to stop its trade globally. In Sierra Leone, for instance, KP experts assess the illicit trade to be between 15% and 20%. This poses a problem for the KP because any kind of illicit trade exposes gaps in the system that unscrupulous diamond traders can use to trade in blood diamonds.

Although the KPCS still has some ambiguities that undermine its effectiveness, this initiative has immensely reduced the market for conflict diamonds, thus cutting off a major source of funding for rebel groups and militias involved in conflict. In addition, the KP has also helped stabilize fragile countries and supported their development. As the KP has made life harder for criminals, it has brought large volumes of diamonds onto the legal market that would not otherwise have made it there. This has increased the revenues of poor governments, and helped them to address their countries' development challenges. For instance, some $125 million worth of diamonds were legally exported from Sierra Leone in 2006, compared to almost none at the end of the 1990s.

### 9.3 Comments

By tracing the evolution of conflict diamonds as a pressing human security concern in international politics, the ongoing Kimberley Process represents an intriguing development in global governance and multi-track diplomacy. However, there are increasing criticisms that the Kimberly process would not work.

## *10. West African Resource Watch (WARW)*

### 10.1 Overview

The West Africa Resource Watch (WARW) is a sub-regional initiative established by the Open Society Initiative for West Africa (OSIWA) in 2007 in Dakar, Senegal. It is envisioned as a West-African home-grown institute committed to filling the gaps in the research, training, documentation, advocacy and policy advice needs of governments, civil society organizations and other stakeholders in the sub-region for the management of revenues from natural resources.

WARW seeks to empower critical stakeholders in West Africa towards popular participation in economic policy making, the equitable generation and distribution of national resources and the transparent and accountable use of public resources. It operates in the 15 countries of the Economic Community of West African States (ECOWAS) as well as in Cameroon, Chad and Mauritania.

According to a recent needs assessment report by the WARW on seven countries (Chad, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Niger and Sierra Leone), none of the countries has a long-term vision of extractive resources in the national economy and each lacks a comprehensive strategy to manage its natural resources. In most of the countries, civil society participation and influence have been minimal and restrictive laws and lack of resources block the media from playing a watchdog role.

West African countries lack the capacity to properly manage their natural resources. Thus, the creation of the WARW which aims to mobilize technical and financial resources to strengthen civil society, advocate for responsible use of resources and reinforce laws and policies governing extractive operations and use of resource revenues, will indeed enable governments in the region use their natural resource revenues to fight poverty.

### 10.2 Sierra Leone and WARW

In February 2008 Sierra Leone signed up to the Extractive Industries Transparency Initiative (EITI), a coalition of governments, companies and civil society, which aims to increase transparency of company payments and government revenues from mining, gas and oil. Sierra Leone must comply with its conditions by March 2010 - implying that mining companies, the government and civil society must set up an independent body that will call on companies to report the taxes, royalties and bonuses paid to government and the government to declare revenues received.

Akin to most West African countries, Sierra Leone is endowed with mineral resources. However, the mining sector has consistently failed to reach its full potential. This has caused the country's citizens to remain in abject poverty. For quite some time, most mineral exploration and mining operations in the country were run by state owned enterprises. For instance, the National Diamond Mining Company (NDMC) was given the task to prospect, explore and mine diamonds in the country. By nationalizing mining activities, government hoped to capture more benefits from mining through local employment creation, direct spending on social services for mining communities, and higher budget revenue from having a direct stake in the business. Although some successes were achieved in employment creation, social and infrastructural benefits in the mining communities were minimal and the revenue that accrued to government from mining was mismanaged.

Currently, the mining sector is highly dominated by private companies. These companies pay for exploration and mining licences and also pay royalties to the government. Besides, these companies create jobs both directly and indirectly, transfer technologies and knowledge, and generate significant foreign exchange earnings, thus providing governments a financial base for the development of infrastructure and the provision of social services. Unfortunately, owing to a weak revenue management system coupled with corruption, the government has failed to transform these resources into the required benefits for the citizenry.

Development partners - including the World Bank, Department for International Development of the UK (DFID), European Union (EU), United Nations Development Program (UNDP) and US Agency for International Development (USAID) - have been continuously engaged in policy dialogue with the Government of Sierra Leone (GoSL) on mining sector development. Support from the partners focused on early mineral sector governance reform actions, including the establishment of a mining cadastre system, development of an internationally competitive fiscal regime for mining and transparency principles, assistance in the review of legal acts related to mining, recommendations for the restructuring of the Ministry of Mineral Resources (MMR), and the review of environmental and social aspects of mining (through a Strategic Environmental and Social Assessment). However, the progress to-date has been limited and reinforces the need for a more integrated and coordinated approach to support future mining development and stimulate broader economic impact from mining activities.

### 10.3 Comments

By tracing the evolution of conflict diamonds as a pressing human security concern in international politics, the ongoing Kimberley Process represents an intriguing development in global governance and multi-track diplomacy. However, there are increasing criticisms that the Kimberly process would not work.

2 November, 2009

Developed with support from United Nations Development Programme (UNDP) Sierra Leone