



Republic of Sierra Leone

Ministry of Trade and
Industry

National Industrial Policy

March,2011

Freetown

Table of Contents

Abbreviations and Acronyms

Foreword

1. Background

- A. The Need for an Industrial Policy
- B. Industrial Policy Context

2. Overview of Development Efforts in Sierra Leone

- A. Import Substitution Industrialization Strategy (ISI);
- B. The 1974/75-78/79 National Development Plan;
- C. The Green Revolution (1986);
- D. The Structural Adjustment Programmes (SAP) 1989
- E. Revitalising the Economy;
- F. Private Sector Development;
- G. Public Sector Reform;
- H. Agriculture, Forestry & Fishing.

3. Industrial Development

- a. Mining and Quarrying
- b. Manufacturing
- c. Construction and Utilities

4. Policy Framework

- A. Objectives of the National Industrial Policy
- B. Implementation of the Industrial Policy
- C. Micro and Small Enterprise Development
- D. Development of the Services Sector
- E. Energy Sector Development
- F. Agricultural Sector Development
- G. Industrial Research & Development Programme
- H. Managerial Capacity & Skills Development Programme
- I. Development of Intellectual Property Rights
- J. Standardization, Quality Assurance, Accreditation & Metrology Programme
- K. Environmental Protection
- L. Industry Restructuring and Rehabilitation Programme
- M. Tourism Development

5. List of Stakeholders at the Consultative Meeting

- i. Sierra Leone Chamber of Commerce
- ii. Sierra Leone Association of Manufacturers
- iii. Bankers Association
- iv. Importers Association
- v. Sierra Leone Institute of Engineers
- vi. Sierra Leone Institute of Architects
- vii. University of Sierra Leone
- viii. Parliamentary Committee on Trade
- ix. Petty Traders Association
- x. Civil Society
- xi. Sierra Leone Association of Journalists
- xii. Ministry of Finance and Economic Development
- xiii. Sierra Leone Investment and Export Promotion Agency
- xiv. Sierra Leone Standards Bureau
- xv. Cooperative Department
- xvi. Ministry of Agriculture, Forestry and Food Security
- xvii. Ministry of Labour and Social Security
- xviii. Ministry of Employment, Youth and Sport
- xix. Ministry of Trade and Industry
- xx. Njala University
- xxi. United Nations Industrial Development Organization
- xxii. European Union

xxiii. National Authorizing Office

xxiv. National Power Authority

Abbreviations & Acronyms

ACP: African Caribbean and Pacific Group of States
ADB: African Development Bank
AGOA: African Growth & Opportunities Act
CAMI: Conference of African Ministers of Industry
CET: Common External Tariff
CIP: Common Industrial Policy
CSM: Civil Society Movement
ECOWAS: Economic Community of West African States
EPA: Economic Partnership Agreement
EU: European Union
FDI: Foreign Direct Investment
GDP: Gross Domestic Product
HDI: Human Development Index
ICT: Information & Communications Technology
IDDA: Industrial Development Decade for Africa
IFC: International Finance Corporation
IMF: International Monetary Fund
IPFs: Intellectual Property Rights
LPA: Lagos Plan of Action
MDG: Millennium Development Goals
MIGA: Multilateral Investment Guarantee Agency
MOFED: Ministry of Finance and Economic Development
MEWR: Ministry of Energy and Water Resources
MTCA: Ministry of Tourism and Cultural Affairs
MAFFS: Ministry of Agricultural, Forestry & Food Security
MTI: Ministry of Trade and Industry
NCP: National Commission for Privatization
PRSP: Poverty Reduction Strategy Paper
R & D: Research and Development
SEZ: Special Economic Zone
SLCCIA: Sierra Leone Chamber of Commerce, Industry and Agriculture
SLIBA: Sierra Leone Indigenous Business Association
SLIE: Sierra Leone Institute of Engineers
SLIEPA: Sierra Leone Investment and Export Promotion Agency
SLSB: Sierra Leone Standards Bureau
SME/SMI: Small and Medium-sized Enterprises and Medium-sized Industry
SSL: Statistics Sierra Leone
TBT: Technical Barriers to Trade
UEMOA: West African Economic and Monetary Union
UNDP: United Nations Development Programme
UNIDO: United Nations Industrial Development Organization

USL: University of Sierra Leone
WACIP: West African Common Industrial Policy
WTO: World Trade Organizational

Foreword

Industrial development in Sierra Leone has been confronted with a huge array of constraints, ranging from the socio-political instability of the war years to an unsuitable fiscal, legal and judicial environment, underutilization of installed capacities, low competitiveness of existing industrial capacities, inadequate infrastructures (water, electricity, roads etc.) and difficulty in accessing credit.

Our industrial sector is also plagued by insufficient industrial and sub-contracting services, difficult access to efficient technologies, a small domestic market with limited purchasing power and lack of reliable information on market opportunities in the sub-region. Support for small and medium enterprises and industries and the informal sector has also been either lacking or inadequate. These are supposed to be the engines of growth and the key drivers enabling the expansion of the industrial production base, strengthening of Civil Society and facilitating the emergence of local entrepreneurs.

It is against this backdrop that our Government has formulated this Industrial Policy & Action Plan that will meet not only the specific needs of our country, but will also be in line with the West African Common Industrial Policy (WACIP) which was adopted by ECOWAS in July, 2010.

The general objective of this Policy is to accelerate industrialization through the promotion of endogenous industrial transformation of local raw materials, the development and diversification of industrial productive capacity, strengthening of regional cooperation and the export of manufactured goods. The Policy will also ensure the promotion of factors determining the degree of competitiveness, i.e. questions relating to productivity, the value chain, an enabling environment, a technological content and their acquisition, infrastructures and support institutions.

The key results expected from the formulation and implementation of our Policy include the creation of more manufacturing enterprises and expansion of existing ones, increased job creation, greater access to funding for industrial investment, reform of business law to improve the business climate, local value and supply chains are strengthened and sufficient and diverse skills and qualifications are available to sustain the country's industrialization drive.

My Government's overall vision for the industrial sector is the creation of a solid industrial structure which will be regionally and globally competitive, environment-friendly and capable of uplifting the living standards of our people. This is in conformity with my agenda for change, which places

special premium on revitalising the industrial sector to enable it to play a significant role in our nation's socio-economic growth efforts.

Our responsibility, as a Government, is to devise ways for Sierra Leonean entrepreneurs to access credit, make inroads into regional and global markets and contribute meaningfully to job creation, poverty alleviation and the enhancement of our living standards. We will also strengthen the link between Research & Development (R&D) and industry and encourage the creation and development of technology and science parks. Special emphasis will also be placed on promoting the privatization of public site management (industrial areas, free zones, specialized industrial areas or parks), while focusing on the advantages for Sierra Leone (valorisation of local communities) and for the investors (finding a suitable framework, equipped and secured as soon as possible).

This Policy Document outlines the measures to be taken to achieve our declared objectives for the industrial sector.

***E Ernest Bai Koroma (Dr.)
President of the Republic of Sierra Leone.***

Chapter 1

Background

A. The Need for an Industrial Policy

Considering the imperatives of globalization and the crucial intermediation role which industry plays in the development process, the Government of Sierra Leone has reiterated its will to make industrialization the medium of development and has undertaken to work closely with the private sector. The challenge therefore is to develop a policy that defines, in clear and unequivocal terms, the aims and objectives of the sector, how it intends to conduct its business and the national, regional and international influence on its roles and responsibilities. The policy will therefore be a guide for the consistent and effective operation of the sector's programmes and activities, and will be derived and guided primarily by the West African Common Industrial Policy (WACIP).

The vision is to maintain a solid industrial structure which is regionally and globally competitive, environment friendly and capable of significantly improving the living standards of Sierra Leoneans by 2030. The objective is to accelerate industrialization through the promotion of endogenous industrial transformation of local raw materials, the development and diversification of industrial productive capacity and strengthening regional cooperation and export of manufactured goods.

The Ministry of Trade and Industry, in collaboration with donor partners, has formulated this policy document to fill the void in the sector by coming up with practical, relevant and realistic policies and action plans which will enable the sector to contribute meaningfully to Sierra Leone's economic growth and development efforts.

B. Industrial Policy Context

Since Independence in 1961, Sierra Leone has embarked upon numerous initiatives to promote industrial development to support its socio-economic development efforts. However, the initiatives were only partially implemented, due mainly to poorly conceived ideas and plans, coupled with the various military interventions, which did not enable the attainment of the anticipated objectives.

Industrial development in Sierra Leone has been characterized by the:

- Establishment of small production units, concentrated mainly in the Western Area, more specifically at the Wellington Industrial

Estate in Freetown, with a few units in Kenema, Bo and Mabole; the main products were beer, cement, flour, cigarettes, canned fruits, bennimix, furniture, biscuits, nails etc;

- Excessive reliance on imported inputs, including raw materials, capital goods, machinery and even human capital; in some cases, bottles, labels, and wrappers were all imported;
- Total lack of interest in processing endogenous resources in support of the raw state of materials whose global prices were generally more attractive. Local products like cassava, sorghum, tobacco, piassava etc. which could have formed major inputs in items like flour, beer, cigarettes, tooth brushes respectively, were largely ignored.

In effect, the country's industrial fabric and inevitably the industrial performance, including the level of processing of its vast mineral, agricultural and fisheries wealth have remained comparatively low and undeveloped. The sector has remained largely undiversified and incapable of producing a wide range of intermediate and finished products. In spite of the countless reform measures implemented over the years aimed specifically at acquiring a robust industrial base (measures such as establishment of single investment windows, accelerated privatization programmes, formulation of private sector development strategies etc.), Sierra Leone has not been able to make any headway.

In the face of the current deplorable state of the industrial sector, contributing only 4.6% to GDP, and considering the economic recovery and growth challenges facing Sierra Leone, the Ministry of Trade and Industry has placed priority on revitalising the sector by formulating appropriate policies and action plans which will enhance the role and operational significance of the sector.

The Ministry is of the view that industrialization is the medium of development and that by working in close partnership with the private sector, it will extricate Sierra Leone from the throes of poverty and increase access to wealth and higher standards of living.

The vision is to build up and sustain a solid industrial structure, based largely on processing local raw materials, which is regionally and internationally competitive, environment-friendly and capable of significantly raising the living standards of Sierra Leoneans by 2030.

The general objective is to accelerate Sierra Leone's industrialization by encouraging and promoting endogenous industrial transformation of local raw materials, development and diversification of industrial productive capacity and strengthening the export of manufactured

Chapter 2

Overview of Development Efforts in Sierra Leone

Several serious efforts have been made since Independence in 1961, to revitalize the economy and to create an enabling environment for an industrial take-off. Industrialization was the vogue in newly independent countries which perceived it as an integral part of the development process, and one that would facilitate the transformation of a predominantly agricultural economy to a modern industrial economy. There were wild expectations based upon publications by left-wing Economists, that the share of industry in the economy would rise, job opportunities would be created and the productivity levels, income and living standards of the majority of the citizens would increase remarkably.

A. The Import Substitution Industrialization (ISI) Strategy

In an effort therefore, to derive maximum benefits from this new phenomenon, Government adopted the ISI Strategy. With the agricultural orientation of the economy and its over-dependence on imports of manufactured goods both for productive purposes and for personal consumption, Government argued that the most dynamic way of restructuring the economy was by building up a strong industrial sector.

Government further maintained that industrialization would create jobs for especially new graduates, artisans and skilled manpower and generate additional funds for development through further investment and revenue to Government in the form of interest on loans, dividends and royalties.

This strategy, however, failed due to several factors, key among which were lack of adequate finance for huge investments, poor infrastructural facilities (bad roads, poor electricity and water supply services), a narrow market, with limited purchasing power, paucity of skilled manpower and the large share of imported inputs, which combined to make prices of industrial products uncompetitive.

B. The 1974/75-1978/79 National Development Plan

This document was the first comprehensive policy document on Government's development goals. It was essentially based on the premise that since economic growth had been determined mainly by the demand for mineral resources, there was a desperate need to diversify the economy.

In this vein, top priority would be given to boosting agricultural output. The newly created Integrated Agricultural Development Projects (IADPs) would

give priority to crop production, fisheries and forestry products. The aim was to increase food production, especially the staple food-rice, create employment and increase export earnings which would be ploughed into the social sectors and into infrastructural development. The following projects were accordingly established between 1972 to 1987:

- ✚ The Eastern Area Project: 1972
- ✚ The Koinadugu Project: 1978
- ✚ The Magbosi Project: 1980
- ✚ North-West Area Project: 1980
- ✚ Port Loko Project: 1987

These projects were basically desperate moves to accelerate the adoption of new farm technologies to increase farm productivity, achieve increases in agricultural output and export, and expand rural incomes.

Unfortunately, again the programmes did not achieve their stated objectives, due principally to lack of chemicals, fertilizers, improved inputs, extension services and poor management.

C. The Green Revolution (1986)

This was another well meaning attempt, in 1986, to give added impetus to the goal of rice self-sufficiency in Sierra Leone. There was a general consensus among the key players in the Momoh-led regime that the objectives of the National Development Plan had not been met due to a combination of several factors, principally inadequate price incentive structures, a paucity of farm inputs and an extremely weak institutional framework. The expected supply responses from small holders of farms were not forthcoming.

The alternative propounded by the Green Revolution Programme also turned out to be over-ambitious, with an unrealistic timeframe and over-dependence on external financing (which failed to materialize). The political will to push the programme through was also visibly lacking.

D. The Structural Adjustment Programme (SAP) (1989)

Faced with a looming economic crisis which threatened to have a debilitating effect on the social fabric of the country, Government hurriedly began to implement the Economic Recovery Programme (ERP) which had

been jointly agreed with the IMF and the World Bank. The IMF approved a Rights Accumulation Programme (RAP) in April 1992 covering two years (1992-93), followed by the World Bank's Reconstruction Import Credit (RIC).

The RAP concentrated on macroeconomic stabilization measures-chieflly monetary, exchange rate and trade policies, while the RIC dwelt more on structural measures mainly fiscal management (expenditure control and revenue generation), civil service reform and public enterprise reform. These reform measures are ongoing. They have formed the basis for the PRSP, a plan specifically designed to reduce poverty nationwide.

E. Revitalising the Economy

In an attempt to re-build the economy and the physical infrastructure that would lay the foundation for achieving sustainable growth and poverty reduction, Government adopted in 2001 the Interim Poverty Reduction Strategy Paper (I-PRSP) and simultaneously agreed on the first three (3) year programme under the Poverty Reduction and Growth Facility (PRGF) with the IMF.

The I-PRSP was implemented in two (2) phases: the transitional phase (2001-2002) and the medium term phase (2002-2005). While the transitional phase dwelt mainly on the restoration of security and good governance, the medium term stressed on the need to tackle development challenges including public financial management, local government and decentralization, security and judicial reform, anti-corruption, service delivery, etc.

In re-launching the economy, Government focused on the maintenance of macroeconomic stability as a pre-requisite for the attainment of sustainable and high economic growth, essential for reducing poverty. In this regard, Government, with support from development partners, has implemented a wide range of macroeconomic policies alongside the social policies to stabilize the economy by containing inflation, limiting the external current account deficit, building external reserves and maintaining a stable exchange rate.

In the transition from emergency support and peace building to sustainable growth and poverty reduction, the priorities are largely in achieving the UN's MDGs and addressing the sources of growth and employment, in particular infrastructures, agriculture, mining, tourism, industry and private sector development. Various steps have been taken in these areas.

F. Private Sector Development

Achieving economic growth and poverty reduction targets require the provision of a conducive climate for private sector investment and economic activity. In recent years, Government has implemented numerous measures to promote private sector activity, including the establishment of the S.L.I.E.P.A as a “one stop shop” for investors; the implementation of key trade promotion activities under the Integrated Framework, and the modernization of the legal and regulatory framework.

Since 2007, the ease with which a business can be started and property registered has improved dramatically, investor protection is assured and the ease with which stakeholder litigation can be undertaken has also been enhanced. Overall, the business environment in Sierra Leone now stands in good comparison to that of our neighbours, ranking 7th among our 15 ECOWAS partners, and 1st in the Mano River Union.

The private sector is beginning to play its role as the engine of growth in any economy. The broad agenda of private sector development includes the enactment of an Investment Code in August 2004 and the establishment of the National Commission for Privatization (NCP). The Investment Code ensures that all enterprises-domestic and foreign, new or old will benefit from and be subject to the same laws and regulations.

Sierra Leone also commenced the implementation of the Common External Tariff (CET) within the ECOWAS sub-region in 2005, and this is aimed at easing private sector tax burdens, while improving national competitiveness. A number of large-scale foreign private sector operations are ongoing and are improving productivity in mining, industry, construction, banking and telecommunications.

The NCP has responsibility and autonomy for the divestment of state owned enterprises, while the legal framework is being reformed to improve the investment climate. Significant progress has also been made in removing non-tariff barriers to investment.

The Sierra Leone Investment and Export Promotion Agency (SLIEPA) has prepared guidelines to facilitate the flow of private sector investment into the country and to encourage the export of raw, semi-processed and manufactured goods both to the ECOWAS sub-region and to the global market.

The Sierra Leone Standards Bureau has also been empowered to certify both imports and exports to ensure compliance with international standards.

G. Public Sector Reform

A number of proactive reforms in public financial management (PFM) have been introduced aimed at reducing the opportunities for corruption. These include the new Government Budgetary and Accountability Bill in 2005, which eliminates discretionary powers and sets out roles and standards that promote transparency and accountability in the execution of the government budget; a new Public Procurement Act 2004 to reform public procurement procedures including replacement on the central tender board with decentralized procurement committees and units, establishment of a regulatory procurement authority and an independent review panel, and the initiation of procurement planning in key ministries.

Internal audit units have been set up in the ministries responsible for finance, defence, education, and health and road maintenance. The Government has enacted Anti-money Laundry legislation to restrict trade in conflict diamonds and Sierra Leone is currently participating in the Kimberly Process. Regular and selective Public Expenditure Tracking Surveys (PETS) are undertaken to monitor government expenditure in key ministries. The National Revenue Authority has been set up to improve domestic revenue generation and tax and non-tax administration to reduce the heavy dependence on donor assistance; and the Anti-corruption Act 2008 as amended, has been created to reduce corruption.

H. Agriculture, Forestry & Fishing

In 2009 the agricultural sector contributed about 48% to GDP and serves as a major source of food, especially the staple rice, for much of the population of the country. Productive potential is limited by a traditional land tenure system in the provinces, limited use of fertilizers and modern farm implements; and is mostly in the hands of smallholders engaged in subsistence farming. Major cash crops are cocoa, coffee, palm kernels and ginger. The fishing sector has considerable potential. Although there has been a scaling up of government efforts in the sector under the current agenda for change programme, the sector still lack the basic requirements for commercialization. For instance, access to finance by smallholders still remains an elusive dream of many farmers, especially in the rural areas. Although tractors have expanded area under cultivation, post harvest loss is still a huge problem faced by farmers due to the lack of storage facilities and feeder roads to facilitate sales.

The agriculture sector is central to the economy, with two-thirds of the population employed in subsistence agriculture. Diamonds are the major source of hard currency, but the large majority are smuggled out of the country. The manufacturing sector is centred on the on the processing of raw materials and light manufacturing for the domestic market.

Chapter 3

Industrial Development

As stated earlier, the Government adopted the Import Substitution Industrialization (ISI) strategy in the 1960s, which saw emphasis being given to industrialization in the country. The industrial sector essentially constitutes the following sub-sectors:

- A. Mining and Quarrying
- B. Manufacturing,
- C. Construction and Utilities (electricity, water and gas)

A. Mining and Quarrying

Sierra Leone is endowed with vast mineral resources, including diamonds, gold, bauxite, rutile, and iron ore. Records show that diamonds were discovered in Sierra Leone as far back as in the 1930s. Since then, diamonds have been mined in the country. Mineral exports remain Sierra Leone's principal foreign exchange earner, even after the civil war. Sierra Leone is a major producer of gem-quality diamonds.

Though rich in this resource, the country has historically struggled to manage its exploitation and export. Annual production estimates range between \$250-300 million. However, not all of that passes through formal export channels, although formal exports have dramatically improved since the days of civil war (1999: \$1.2 million; 2000: \$7 million; 2001: \$26 million; 2002: \$42 million; 2003: \$76 million; 2004: \$127 million; 2005: \$142 million). The rest is smuggled, where it possibly is used for money laundering or financing illicit activities. Efforts to improve the management of the export trade have met with some success. In October 2000, a UN-approved export certification system for exporting diamonds from Sierra Leone was put into place that led to a dramatic increase in legal exports. In 2001, the Government of Sierra Leone created a mining community development fund, which returns a portion of diamond export taxes to diamond mining communities. The fund was created to raise local communities' stake in the legal diamond trade.

Sierra Leone has one of the world's largest deposits of rutile, a titanium ore used as paint pigment and welding rod coatings. Sierra Rutile Limited, owned by a consortium of U.S. and European investors, began commercial mining operations near Bonthe in early 1979. Sierra Rutile was then the largest nonpetroleum U.S. investment in West Africa. The export of 88,000 tons realized \$75 million in export earnings in 1990. The company and the Government of Sierra Leone concluded a new agreement on the terms of the company's concession in Sierra Leone in

1990. Rutile and bauxite mining operations were suspended when rebels invaded the mining sites in 1995, but exports resumed in 2005.

Since independence, the Government of Sierra Leone has encouraged foreign investment, although the business climate has been hampered by a shortage of foreign exchange, corruption, and uncertainty resulting from civil conflicts. Investors are protected by an agreement that allows for arbitration under the 1965 World Bank Convention. Legislation provides for transfer of interest, dividends, and capital. The government passed the Investment Promotion Act in August 2004 to attract foreign investors and has been working with international financial institutions to lower its administrative barriers to trade. Despite its extensive mineral, agricultural, and fishery resources, Sierra Leone is an impoverished country, and has been rated as the world's poorest nation consistently for the past five years.

The eight-year civil war and the subsequent hostilities seriously affected economic activity, severely damaged the export base, destroyed much of the physical infrastructure and drained resources to support the war effort. The resultant effect on the economy was a collapse in the revenue base (during 1997 there was an 18% contraction in GDP, virtual stagnation during 1998 and a further fall of 8% in 1999), and significant increases in the budget deficit, bank financing, and domestic and external payment arrears. By 2000 real GDP, at US\$636m, was only around 84% of GDP in 1990, and GNP was a mere 57% of its value in 1980.

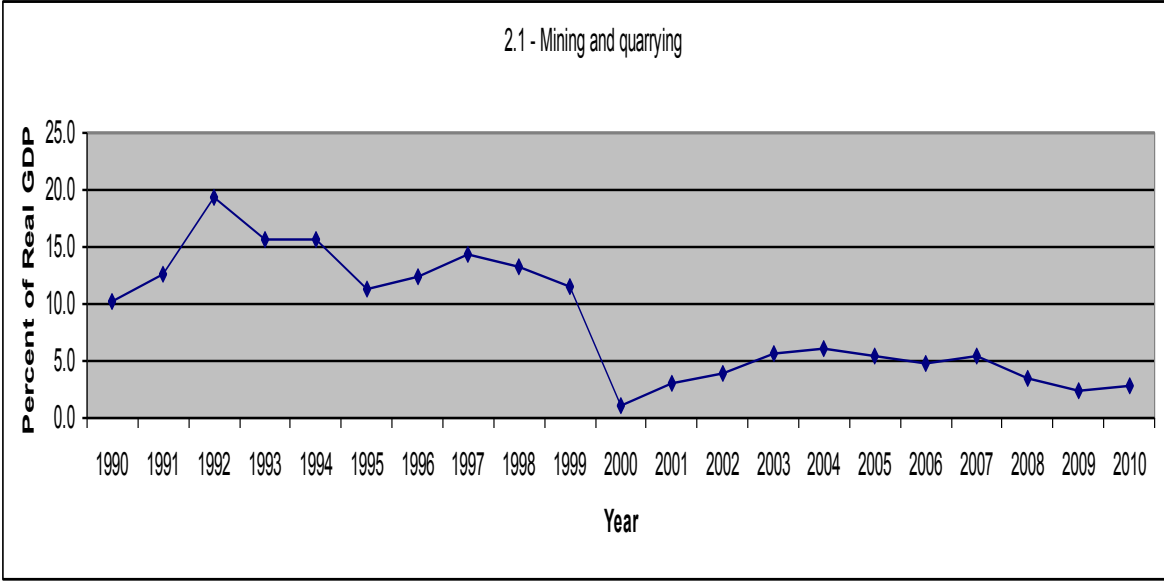
In May 2001 the government indicated that substantial quantities of off-shore oil and gas reserves had been found, which if true will have major implications for the future of economic policy (and politics) in Sierra Leone. Notwithstanding the government's attempts to maintain some sort of fiscal regime, the country is almost entirely reliant on loans and aid handouts from donors and from the World Bank and IMF. Total debt stock (now written off under the HIPC Initiative) was estimated at US\$1.25bn in 1999. The protracted civil war set back economic activity, aggravating the unemployment and poverty situation.

The mining sector contributed 35% to GDP in 1998 and employed 10% of the workforce in 1998. Although the sector was severely affected by the civil war - prior to 1990 Sierra Leone was a world leader in rutile production. The mining of rutile and bauxite, halted by the conflict, will need substantial investment and rehabilitation to restart operations. In mid-2000 the UN Security Council imposed a global ban on the sale of rough diamonds from Sierra Leone until an inspection and certification system was in place. In October, after this had been put in place, the government lifted the export ban allowing for government controlled

mining areas (only) to resume activities. This situation has now been liberalised, with the export ban removed.

For years rural areas have suffered from a lack of government investment, but in mid-2000 in a significant decision the government announced that in future one-quarter of diamond revenues would be allocated for community development schemes – the first time such an allocation has been made since mining began in 1956. It is expected that this will act as a deterrent on illegal mining.

Figure 1: Contribution of Mining and Quarrying to GDP (1990-2010)

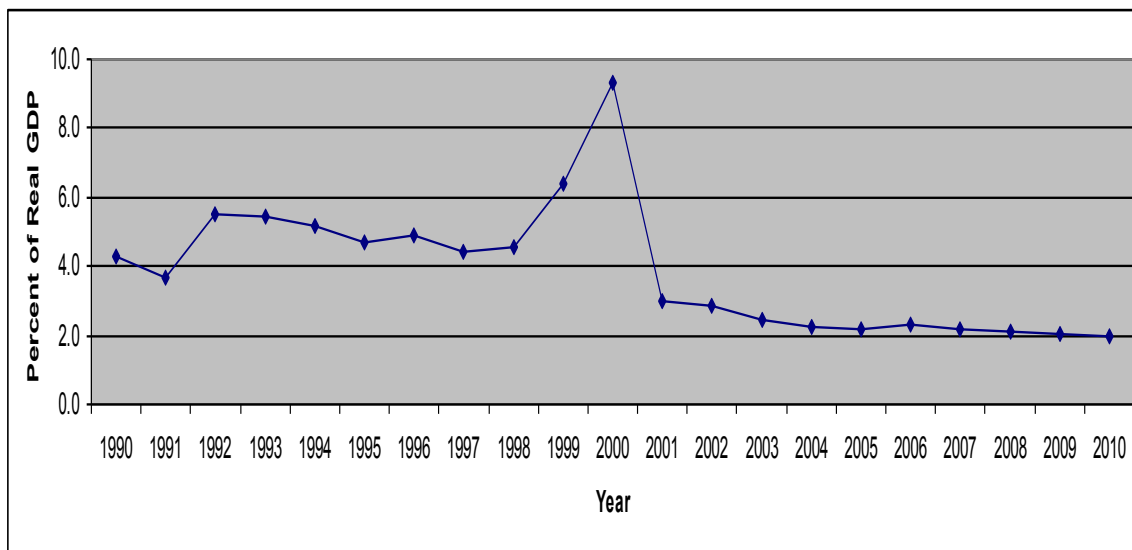


Source: Statistics Sierra Leone

It is clear that the sector’s contribution to GDP has been declining over the years, since the 1992 peak, which was about 20% of GDP. However, the advent of new mining companies including African Minerals, London Mining, Koidu Holdings and the resuscitation of Sierra Rutile and other operatives will definitely have a positive impact on contributions to the GDP. Employment prospects for skilled and unskilled workers are also anticipated, with positive spill over effects on the local communities.

B. Manufacturing

Figure 2: The Contribution of Manufacturing to Real GDP



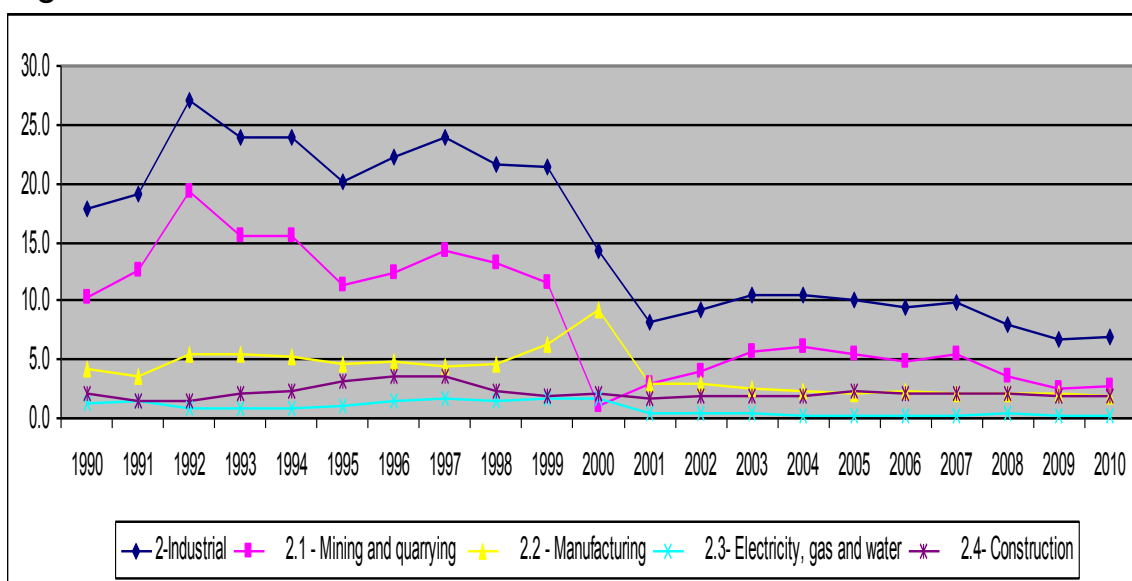
Source: Statistics Sierra Leone

The manufacturing sector constitutes of mainly small scale industries producing mostly for the domestic market. The sector has contributed an average of about 4.8% of GDP from 1990-2010. It is mainly limited to light manufacturing of consumer goods for the domestic market. Weak local demand, power shortages, foreign exchange shortages and low investment limit expansion.

C. Construction and Utilities

These sectors have also not been doing well; in fact, their contributions remained relatively low and stable just above zero.

Figure 3: Contribution to the Industrial Sector



Source: Statistics Sierra Leone

Figure 3 above highlights the declining contributions of the various components to the industrial sector. Construction, electricity, gas and water continued to contribute less than 2.5% to the GDP. This has been attributed to poor service delivery and lack of investment especially in the construction sector. It is however expected that with the vast infrastructural developments, including major road works, improvements in electricity and water supply and the rehabilitation of the airport and the sea port, the sector will play a crucial role in Sierra Leone's economic recovery efforts.

Chapter 4

The Policy Framework

A. Objectives of the National Industrial Policy

1. The goal of the National Industrial Policy shall be market-led, regionally competitive and sustainable production of goods and services for the promotion of Sierra Leone's economic and social development

2. In fulfilment of the goal set out above, Government shall pursue the following objectives:

- progressively raise the manufacturing industry's contribution to the GDP, currently at an average of 4.8% to an average of over 20% in 2030;
- progressively increase the share of the local content in manufactured products;
- progressively increase the volume of exports of goods manufactured locally from the existing 0.1% to 1% by 2030, through the enhancement and development of skills, industrial competitiveness and quality infrastructure (standardization, accreditation and certification); especially in the areas of information, communications and transport;
- promotion of a positive brand image of the country;
- setting of time-bound incentives, as against open-ended ones;
- development of a multi-year industrial development plan (10-20 years);
- promotion of exports by developing closer links and pacts with importers and by exploiting niche and regional markets;
- developing a competitive base of human resources through access to knowledge, computer science and learning for life;
- utilization of natural resources, human resources, capital, technology and management capabilities for the production of goods and services on a sustainable basis;

- diversifying and broadening the industrial production base, by progressively raising the local raw material processing rate from 10-15% to an average of 30% by 2030, by support to the establishment of new industrial production capacities, and the development and upgrading of new ones;
- increased linkages among economic sectors and enterprises within Sierra Leone;
- establishment of a viable micro and small economic enterprise sector;
- enhanced and diversified production of goods and services for both export and domestic markets;
- sustained public and private sector collaboration in order to secure market-led production of goods and services;
- enhanced industrial production on an environmentally sustainable basis;
- balanced economic and social development, bearing in mind the special needs of disadvantaged areas and sectors within the country;
- putting in place suitable funding systems for SME/SMIs;
- development of the private sector through support measures aimed at boosting competitiveness;
- promotion of endogenous and direct foreign investments;
- resources mobilization and diversification of the financial instruments needed for the creation and rehabilitation of industries.

B. Implementation Strategies

In order to achieve the objectives of its industrial policy, Government shall:

- i. Establish and maintain an investment-friendly environment, including a facilitative administrative process;

- ii. Diversify the products and markets for goods and services with a view to increasing the range and value of exports;
- iii. Organise and develop products and factor markets;
- iv. Develop the requisite institutional, legal, technical, financial, administrative and other support for the establishment of micro and small economic enterprises nationwide;
- v. Develop criteria for according special facilities/privileges to particular industries and sectors;
- vi. Design appropriate policy instruments to support industries, which may include effective export promotion policies, financing policies, incentives and technology policies;
- vii. Establish and maintain appropriate macro-economic policies supportive of efficient production, and put in place arrangements for effective payment mechanisms, the avoidance of double taxation, harmonized legislation in relevant areas, elimination of bureaucratic impediments to the deployment of investments in industrial enterprises, improvement of infrastructure in air and maritime transport and efficient communications systems;
- viii. Develop strategies for the development and dissemination of market information and appropriate mechanisms to facilitate acquisition, storage and retrieval of such information;
- ix. Establish and develop export markets especially in non-traditional sectors, through the development of sector-specific incentives and appropriate policy instruments;
- x. Encourage cooperation among economic enterprises in areas such as marketing, purchasing, research and development;
- xi. Promote the establishment and development of capital markets; and
- xii. Maintain a stable and secure political system.

C. Micro and Small Enterprise Development

Government shall adopt appropriate policy measures to encourage the development of competitive micro and small enterprises, and establish

effective programmes to foster a facilitative legal, economic and administrative framework to enhance SME development.

This will be done through:

- i. The development of the capacities of local support agencies for SMEs, including the creation of entrepreneurial centres, by organising technical assistance inclusive of planning, delivery and evaluation of support services to the sector;
- ii. Access to, improvement in the quality of, and opportunities for training and education in areas such as technical skills, entrepreneurial competence and business management for SMEs;
- iii. Access by SMEs to the technical assistance provided by the support agencies;
- iv. The establishment, development or modernising, as the case may require, of financial institutions to provide services by way of appropriate and innovative instruments;
- v. Innovation within the SME sector and
- vi. The creation of, and access to trade and technology information networks.

D. Development of the Services Sector

Government shall promote the development of the services sector in order to stimulate economic complementarities among and accelerate economic development in the sector. Here, Government shall promote measures to achieve:

- i. Increased investment in services;
- ii. Increased volume, value and range of trade in services;
- iii. Competitiveness in the modes of delivering services and
- iv. Enhanced enterprise and infrastructural development, including that of SMEs.

In order to achieve the objectives listed above, Government shall:

- i. Design programmes for the development of human resources to achieve competitiveness in the provision of services;
- ii. Establish a regime of incentives for the development of and trade in services and
- iii. Adopt measures to promote the establishment of an appropriate legal framework to support the services sector.

In establishing programmes & policies for the sector, priority will be given to:

- i. The efficient provision of infrastructural services, including telecommunications, road, air, maritime and riverain transportation, statistical data generation and financial services;
- ii. The development of capacity-enhancing services including education services, research and development services;
- iii. The development of services which enhance cross-sector competitiveness;
- iv. The facilitation of cross-border provision of services which enhance the competitiveness of the services sector and
- v. The development of informatics and other knowledge-based services.

E. Special Economic Zones (SEZ) Policy

Government of Sierra Leone decided to formulate the following SEZ Policy to provide a comprehensive framework for establishment, operations and sustainability of the Special Economic Zones. The prime objective of Government is to develop a specially delineated economic zones conforming to the guidelines and objectives of the Government of Sierra Leone, to provide enabling infrastructure and hassle free environment and to promote exports. Special emphasis will be laid on development of product specific SEZ to harness inherent potential of Sierra Leone which would result in exports of these commodities in high value addition.

The Government has already integrated action to set ESZs that would attract industrial units at various regions through its development process. In this initial phase, private sector participation will be encouraged for development of SEZ for which offers will be invited for both multi-product and product specific SEZs at strategic places. There are various packages

of concessions and incentives for SEZ developers and units to be set up in the SEZ.

The SEZs are capable of contributing to export development, not only in terms of accelerating export growth, export diversification as well. In addition, zones can play an important role in attracting foreign investment, offsetting some aspects of adverse investment climate by offering world class facilities and best practice policies.

The policy to promote and develop SEZs shall be:

- i. Specifically delineated duty-free enclaves treated as a foreign territory for the purpose of industrial, service and trade operations and a more liberal regime in respect of other levies, foreign investment and other transactions.
- ii. Domestic regulations, restrictions and infrastructure inadequacies are sought to be eliminated in the SEZs for creating hassle-free environment.
- iii. Seek to create a transparent system by introducing simplified procedures for enhancing productivity and making it easier to do business.
- iv. Establishment of large self-contained areas supported by infrastructure oriented towards export production.
- v. Work out a package of concessions and incentives for industrial establishments.

F. Energy Sector Development

Since energy is a major factor in industrial development, it will be essential to:

- i. Improve the supply, quality, cost effectiveness and reliability of energy supplied to industrial complexes;
- ii. Develop and encourage the efficient use of alternative energy sources;
- iii. Develop and support energy efficiency and conservation measures in industrial complexes;
- iv. Provide incentives for industries to meet their energy requirements from renewable sources;
- v. Encourage the mining conglomerates to feed excess power into the national or local grid and

- vi. Promote cooperation between mining companies and power utilities in developing power generation facilities.

F. Agricultural Sector Development

Government shall promote the following measures in the agricultural sector, in support of industrial development:

- i. Increased production and diversification of processed agricultural products;
- ii. The fundamental transformation of the sector towards market-oriented, internationally competitive and environmentally sound production of agricultural items;
- iii. The efficient cultivation and production of traditional and non-traditional primary agricultural products;
- iv. Improved income and employment opportunities, food and nutrition security, and poverty alleviation in Sierra Leone;
- v. An enlarged share of world markets for primary and processed agricultural products and
- vi. The efficient management and sustainable exploitation of the country's national resources, including its forests and the living resources of the exclusive economic zone.

To achieve the above objectives, Government shall promote and support:

- The establishment of effective measures for rural enterprise development;
- The establishment of effective agricultural financing systems, including insurance, bearing in mind the special needs of fishers, small farmers, foresters and agro-processors;
- Research and development with a view to the adaptation, dissemination and application of appropriate technologies at all levels of the sector and all stages of production;
- The adoption of effective measures for rural enterprise development;

- The establishment of an effective regime of sanitary and phytosanitary measures;
- Technical cooperation and the dissemination of knowledge in agriculture;
- The promotion of effective agricultural marketing systems in order to respond to, influence and generate market demand for agricultural products: these include market information, intelligence and planning, improved post-harvest technology, risk insurance and efficient distribution services.

G. Industrial Research & Development Programme

Government will promote market-led research, technological development and adaptation of technology in order to support the production, on a sustainable basis, of goods and services, with a view to diversifying such production and enhancing its national, regional and international competitiveness.

Government will also adopt measures to encourage inter alia, inventions and innovations, and acquisition, transfer, assimilation, adaptation and diffusion of technologies in Sierra Leone. This will involve the following:

- i. Encouraging public and private sector agencies, research establishments and tertiary institutions in their research and technological development activities and assist in identifying sources of funding for such activities;
- ii. Promoting cooperation in research and technological development with competent and reputable international organizations;
- iii. Facilitating cooperation in training, exchange of scientific and technical information among competent institutions, among private sector enterprises to integrate the results of research and development in the production process;
- iv. Developing and implementing technological policies and strategies, having due regard for the importance of technology management and protection of intellectual property rights;
- v. Promoting the development of technology extension services and
- vi. Encouraging the private sector to play a vital role in the development, adaptation and transfer of appropriate technologies in

the industrial sector, and in the development of producer associations as a basis for autonomous action and intra & inter industry transfer of technologies and research findings.

H. Managerial Capacity & Development Programme

Government will adopt measures to develop the country's human resources which shall support its thrust toward regional and international competitiveness in the development, production and delivery of goods and services. These measures shall be designed to address the economic, social and cultural aspects of human resources development and shall include the following:

- Development programmes that will assist Sierra Leoneans in engendering the attitudes and acquiring the competence to function effectively;
- Development of the skills and attitudes required to foster a culture of entrepreneurship;
- Establishing and strengthening educational and training institutions for formal and informal modes of delivery and alternative modes for distance learning;
- Development of industry-oriented curricula designed to improve the competitiveness of enterprises and
- Promotion of practical training, strengthening of the skills acquired and technological improvement for actual involvement in management, production, marketing and commercial activities with a view to improving corporate competitiveness.

The measures will not be confined to traditional training but will also relate to continuing corporate training and attachment of staff to other companies.

Internalization of the enterprise culture and spirit will be duly taken into account in the programme, especially in training programmes (colleges, universities and professional institutions) as well as the use of the media and accredited civil society organizations (workshops for setting up micro-projects, etc.)

The programme will also strive to improve the business environment (legal and judicial system), review of the country's labour laws , while ensuring compatibility with the objectives of industrialization induced by the private

sector, globalization of the economy and the development of entrepreneurship, without compromising job security.

I. Development of Intellectual Property Rights

Government will promote the development & protection of intellectual property rights in Sierra Leone, by:

- i. Strengthening the regimes for the protection of intellectual property rights and the simplification of registration procedures;
- ii. Establishing a national agency for intellectual property rights except copyright;
- iii. Identifying and establishing mechanisms to ensure the use of protected works for the enhanced benefit of Sierra Leone: the preservation of indigenous Sierra Leonean culture; and the legal protection of the expressions of folklore, other traditional knowledge and national heritage, particularly of indigenous populations;
- iv. The dissemination and use of patent documentation as a source of technological information;
- v. Increasing public education and awareness;
- vi. Introducing measures to prevent the abuse of intellectual property rights by rights-holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology and
- vii. Encouraging participation in international regimes for the protection of intellectual property rights.

J. Standardization, Quality Assurance, Accreditation & Metrology Programme

In collaboration with competent agencies, Government will develop a standardization programme in furtherance of the objectives of the industrial policy. The programme shall have the following objectives:

- i. Trade facilitation;

- ii. Enhanced efficiency in the production and delivery of goods and services;
- iii. Improved quality of goods and services traded locally & regionally/internationally and
- iv. Consumer and environmental protection.

The programme shall include the following elements:

- Harmonisation of standards and technical regulations, and transparency in the development and promulgation of standards and technical regulations;
- Recognition of conformity assessment procedures through mutual recognition agreements or other means;
- Facilitation of standards infrastructure development at the national and regional levels;
- Facilitation of metrology infrastructure development and
- Agreements for the sharing of information with respect to the development & implementation of standards & technical regulations.

K. Environmental Protection

Government, in its industrialization drive, shall promote measures to ensure:

- i. The preservation, protection and improvement of the quality of the environment and
- ii. The protection of the life and health of humans, animals and plants.

In formulating measures relating to the environment, Government shall take account of:

- Available and accessible scientific and technical data;
- The potential costs and benefits of action or inaction;
- The precautionary principle and those principles relating to preventive action, rectification of environmental damage at source and the principle that the polluter pays and

- The need to protect Sierra Leone from the harmful effects of hazardous materials transported, generated, disposed of or shipped through or within the sub-region. Government will ensure a balance between the requirements of industrial development and the protection and preservation of the environment.

L. Industry Restructuring & Rehabilitation Programme

Government will specifically target the restructuring and upgrading of enterprises with the objective of making them competitive, by developing technical support structures and re-invigorating industrial activities through strengthening economic information.

Special emphasis will also be placed on the development of export promotion consortiums/networks, promotion of partnerships and mentoring, the establishment of a system of traceability, informal sector support etc. Government will also assist to improve the business environment and enhance the coordination of the interventions of the technical and financial partners for industry.

The problems facing SME/SMLs operating in the informal sector are linked more to sustaining and developing their companies due mainly to constraints external to their companies on the one hand, and to their vulnerability due to the way they are organised which facilitates their collapse. Government will therefore work towards ranking the informal sector out of this context and placing it within a formal framework. The sector should be organised and supported to enable it progressively switch to the modern sector and fully play its role in Sierra Leone's economy.

The several personnel training needs of these institutions will be taken into account, as well as their own upgrade (upgrading of buildings, equipment, training, etc.) with a view to giving them a new lease of life. It will indeed be inappropriate or even unproductive to become confined to the provision of new equipment to existing laboratories and technical centres without inviting them to adhere to the upgrading approach.

M. Tourism Development

Government recognises the importance of the tourism sub-sector to the economic development of Sierra Leone and the need to conserve its cultural and natural resources and to maintain a balance between a healthy ecology and economic development.

The objectives of sustainable tourism development shall therefore include:

- an enhanced image of Sierra Leone as a tourist destination;
- a diversified tourism product of a consistently high quality;
- an expanded market base;
- promotion of eco-tourism;
- education programmes designed to ensure that appropriate practices are pursued by service producers;
- linkages with other sectors in the economy;
- conservation of the natural and cultural resources of Sierra Leone through proper management and
- appropriate infrastructure and other services in support of tourism considering the natural and social carrying capacity of Sierra Leone.

Chapter 5

Institutional Framework and Implementation Mechanisms

An adequate institutional framework and an effective implementation are essential and indispensable elements for a successful Industrial Policy.

Along these lines, the following measures will be taken:

A. Identification of an Appropriate Institutional Framework

Government acknowledges the following institutions which are deemed capable of implementing the programmes in the Industrial Policy document:

- The Sierra Leone Chamber of Commerce, Industry and Agriculture (SLCCIA);
- The Sierra Leone Investment and Export Promotion Agency (SLIEPA);
- The Sierra Leone Standards Bureau (SLSB);
- The Sierra Leone Manufacturers Association (SLMA);
- The Bankers Association;
- The Universities and Polytechnics/Research Institutions;
- The Sierra Leone Indigenous Business Association;
- The Ministry of Trade and Industry;
- The Ministry of Finance and Economic Development.

The success of our Industrial Policy will depend to a large extent on the private sector's role in its implementation. The implementation of the Policy will be guided by international best practices which will ensure the cooperation of development partners with specific skills in industrial development.

B. Implementation Mechanisms

Sierra Leone currently has a low national institutional capacity in the area of industrial development (human, technical and material resources). Provision will therefore be made for institutional capacity building through:

- technical assistance requests in industrial reconstruction and growth strategies;
- institutional rehabilitation and reconstruction of SMEs/SMIs, mainly in the provision of advisory services to business people and economic operators in relation to their specific needs;
- capacity building support to Government Ministries, Departments and Agencies and the private sector, including training, attachments, apprenticeships, etc.

C. Evaluation and Monitoring

A Ministerial Commission will be established to monitor the implementation of the Policy. It will take account of the ongoing changes caused by globalization and other national realities. Annual monitoring reports will be produced and widely circulated.

Policy implementation will be monitored through regular control performance assessments on the basis of measureable criteria. Evaluations will be conducted periodically (preferably every five years).

Monitoring and evaluation indicators such as job creation and poverty reduction and the savings and investment/GDP ratio will be used to acquire an overview of the impact of the Industrial Policy on Sierra Leone's overall economic growth.

Government will in this vein:

- maintain macro-economic stability;
- implement legal and regulatory reforms to create a suitable industrial development environment;

- ensure good governance;
- develop adequate socio-economic infrastructure to provide reliable support services;
- support the establishment of special economic zones;
- strengthen education and health services and develop relevant skills and
- encourage the use of local raw materials in industrial production.