REBUILDING BUSINESS AND INVESTMENT IN POST-CONFLICT SIERRA LEONE

How the World Bank Group’s program *Removing Administrative Barriers to Investment* helped build a regulatory framework for easier business and investment in a post-conflict environment.
Preface

Today, the last UN peacekeeping contingent left Freetown. Nine years after the end of hostilities, Sierra Leone is finally considered at peace again. And indeed, the streets of the capital are vibrant. Hope is visible in the faces of young and old alike.

There is no reason for Sierra Leone to be poor. It is rich in minerals, including gold, diamonds, and iron ore. It is a magnificent country with vast uncultivated lands, beautiful beaches and a rare fauna.

While signs of war have mostly faded, it is not hard to imagine how much further along the country could be. We believe that vibrant, dynamic development with opportunities created through private initiative will provide an excellent weapon against future conflicts. When new businesses are created, when people have jobs, and when families can pay for their children’s food and education there is less incentive to pursue conflict.

Our staff now has been in Sierra Leone for seven years. Our investment climate program in the country was one of our first in a conflict affected country. We have learned much: that we must be on the ground to provide the best support; that a committed government is essential to the success of our programs; and that we are stronger when we work alongside our development partners. These lessons learned in Sierra Leone are also proving invaluable to us in South Sudan, Central African Republic, the Democratic Republic of Congo and other conflict affected countries where we work.

To better serve our clients, we have put together here the story of our engagement in Sierra Leone: what worked, what was difficult, what was successful, and what remains to be done. This is a candid review of our experience that we hope will inspire and provide the foundation for applying lessons so that we can do more.

Thierry Tanoh
IFC Vice-President
Latin America and the Caribbean, Sub-Saharan Africa and Western Europe
February 18, 2011
Executive Summary

Sierra Leone’s devastating 11-year civil war destroyed much of its infrastructure, and left its economy in tatters. In 2004, two years after the end of the war, Sierra Leone asked the Investment Climate Advisory Services of the World Bank Group to help create a better business and investment climate that would lay a foundation for the country’s future economic growth.

Answering the call, the World Bank Group’s Investment Climate (IC) Advisory Services partnered with the UK’s Department for International Development (DFID) to design a program to help Sierra Leone improve its business climate, encourage job creation, and spur investment.

The result of this partnership was the Removing Administrative Barriers to Investment (RABI) Program, which ran from 2004 to 2010. RABI pioneered a collaborative approach by working closely with the government, local institutions and the private sector to implement a comprehensive, integrated agenda that focused on reforms in the following four areas:

- Reducing barriers to businesses operating in the formal sector by simplifying new business registration.
- Streamlining tax administration, reforming tax policy, and supporting the National Revenue Authority to simplify taxes.
- Creating a platform for effective and constructive dialogue between the government and the private sector in focal areas such as financial sector reform, access to land, and overall improvements in the investment climate, and supporting reform in those areas.
- Building and developing an effective investment and trade facilitation structure and promoting Sierra Leone as a vibrant and desirable location for business, especially in the tourism and agribusiness sectors.

Sierra Leone’s government and IC Advisory Services agreed that tackling barriers in these areas would encourage future reforms. The RABI Program was innovative and responsive, conducting rapid diagnostics, proposing integrated solutions, and moving quickly into implementation with support staff on the ground. The program was also one of the first of its kind to operate in a conflict-affected country, which demand specialized and targeted support solutions.

Despite a change of administration in Sierra Leone’s Government mid-way through the program, RABI actively engaged with the public and private sectors to make tangible progress that had broad impact and showed measurable results, earning the country’s confidence.

Saving Businesses Time and Money in Registering a New Business

Before RABI launched in 2004, business registration in Sierra Leone took eight steps, 26 days and cost more than 1,500 percent of income per capita. The most recent survey of Doing Business (2011) says it takes six steps, 12 days and costs 110.7 percent of income per capita making it the 61st easiest place in the world to open a business – above Spain, South Africa and the Bahamas.

Thanks to these reforms, the total number of businesses registered more than doubled over a five-year span, from 369 in 2004 to 861 in 2009.

RABI’s support went beyond technical advice to help with practical aspects of creating a streamlined registry. The Business Registration Center at the Office of the Administrator and Registrar-General (OARG) in Freetown was refurbished and now houses representatives from the National Revenue Authority (NRA) and the Freetown City Council in a one-stop shop where businesses can complete each step of the process. Work has begun on establishing centers in provincial hubs and on computerizing the list of company names.

Streamlining Tax Administration, Reforming Tax Policy, and Supporting the National Revenue Authority in Order to Simplify Taxes

Prior to the RABI Program, Sierra Leone had one of the lowest tax collection rates in the world – only 10 percent of GDP in 2008, well below the African average of 22 percent. The RABI team, in collaboration with the IMF and stand-alone DFID-funded efforts, worked with the NRA to restore the social contract between taxpayers and the government. The immediate impact of these efforts was a 40 percent increase in the number of taxpayers – from 4,650 in 2008 to 6,593 in the first quarter of 2010.

The RABI Program is on track to exceed its target of helping the government collect over 12 percent of GDP as tax revenue. In 2009, following RABI’s interventions, the NRA collected 11.7 percent, and in 2010 tax revenues are projected to reach 12.5 percent of GDP.

RABI helped the government increase its tax revenues in part by supporting a taxpayer awareness campaign.

A survey conducted by the NRA found that more than 70 percent of taxpayers in Sierra Leone could not read or write English, clarifying the need for local-language messaging throughout the country to help ensure that people understood their obligations as taxpayers.

Using everything from text messages to radio jingles, from DJs in nightclubs to religious leaders, from city billboards to town criers, the RABI Program has spread the word about the benefits of paying taxes.

In addition to the public awareness campaign, RABI provided support to the NRA on streamlining tax laws and responded to their needs for the necessary forms which were revised to take into consideration the changes in the law.

Creating a Platform for Public–Private Dialogue on Business-oriented Issues

From its creation in 2007 as an IFI-operated and funded entity, the Sierra Leone Business Forum (SLBF) promoted private sector interests on issues such as tax modernization, financial sector reform, land rights, and other legal reforms, and lobbied for business-oriented policy changes. In 2009, the RABI Program helped the SLBF develop strong governance and financial management processes and procedures, and become an independent entity, operated by a board with representatives from the formal and informal sectors, and run by a professional manager.

World Bank President Robert Zoellick met with members of Sierra Leone’s private sector in early 2010 to discuss their challenges. He spoke with foreign investors, directors of private sector interests on issues such as tax modernization, financial sector reform, land rights, and other legal reforms, and lobbied for business-oriented policy changes. In 2009, the RABI Program helped the SLBF develop strong governance and financial management processes and procedures, and become an independent entity, operated by a board with representatives from the formal and informal sectors, and run by a professional manager.

The SLBF’s advocacy efforts resulted in the enactment of six laws and amendments that drastically reduce red tape and save businesses time and money.

Promoting Sierra Leone as a Destination for Tourism and Agribusiness Investment

RABI provided technical assistance to the Sierra Leone Investment and Export Promotion Agency (SLIEPA), which was created by the SLIEPA Act in 2007.
The organization has achieved numerous milestones:

- To capitalize on a RABI study indicating specific agribusiness subsectors for investment opportunities, SLIEPA packaged these opportunities and disseminated them to potential investors, including via overseas missions led by Sierra Leone’s President Ernest Bai Koroma to Brazil, Nigeria, India, China, Kuwait.

- SLIEPA organized the Sierra Leone Trade and Investment Forum in London in November 2009. The very successful, high-profile event, attended by former British Prime Minister Tony Blair, investor George Soros, and Prince Charles, Prince of Wales, attracted over 600 registrants and showcased Sierra Leone as a peaceful, stable democracy that is open for business with a government committed to reform.

- Active investment leads have grown from four in the first year of operation to more than 100 as of June 2010. In the month following the Trade and Investment Forum, SLIEPA received a 71 percent increase in overall investor enquiries. Interest in investment in agriculture and mining increasing by 55 percent and 81 percent respectively.


DFID says SLIEPA is seen as a model by international advisors for effective investment promotion. After just two years, the agency enjoys international credibility as a professional organization that can facilitate investment and trade effectively.

The RABI team also helped increase investor interest in Sierra Leone’s tourism industry. The initial aim was to develop a strategy to restore the tourism sector to levels of success enjoyed in the 1980s when more than 100,000 visitors came annually, drawn to the country by its pristine beaches, verdant land, and home to rare animal species and beautiful beaches.

When the Doing Business report came out in 2008, Sierra Leone’s government asked the IFC Advisory Services team to help improve its indicators. With support from RABI, the country passed several laws, streamlined agencies and worked with the private sector to make permanent improvements to its business environment. Government-led committees were created to determine how best to improve the indicators, focusing on key areas for reform — business start-up, registering a property, access to finance and paying taxes.

In 2009, Sierra Leone was ranked the quickest and easiest place to start a business in West Africa and was considered one of the top five countries in Sub-Saharan Africa for investor protection — a remarkable turnaround only seven years after a civil war that had all but destroyed the economy. Sierra Leone’s climb in the Doing Business rankings is thanks to the government’s strong backing for reform and to the support of the RABI Program, and a number of other donor partners.

Learning from the Program with the Pioneering Approach

The RABI Program and its pioneering approach have produced lessons that will inform the development of other post-conflict countries in Africa and other emerging markets.

Writing the Next Chapter of Reform

The current phase of the RABI Program is winding down and IFC is scouting for the next phase which will focus on sector specific interventions including infrastructure and agriculture.

In addition, other donors have developed programs to support further improvements in the country’s investment climate. The European Union (EU) has pledged its support for investment and export promotion; the United Nations Development Program (UNDP), under its Enhanced Integrated Framework, will support eco-tourism development; and the World Bank is financing the development of a credit bureau.

Sierra Leone will continue to rely on domestic and international partners to help it achieve economic growth, but future reform will ultimately be the responsibility of the country’s government. As Sierra Leone’s President, Ernest Bai Koroma, said in London in 2009: “These reforms are helping to build investor confidence, but they are just the beginning, not the end, of our efforts — a down-payment if you will, on the pro-business, pro-reform agenda we are committed to pursuing in the years to come.”

Despite suffering through years of turmoil, the people of Sierra Leone have never abandoned their pursuit of a better future.

Walk down Freetown’s Garrison Street or Free Street today, and hang jeans from walls, and carry an array of goods stacked high on their heads.

“This business you see today I started with six Leones and 20 cents” (about twenty US cents) says Sulaiman Kamara, who now runs his own wholesale business, importing everything from artificial flowers to costume jewelry from Dubai and Hong Kong.

“I came into business because of the war: when you’re unemployed, you have to find work.”
The IC Advisory Services, through IFC, a member of the World Bank Group, began work in Sierra Leone in 2003. It built a partnership with the UK’s Department for International Development (DFID), and from 2004 to 2010, the partners implemented the $7.76 million Reforming Administrative Barriers to Investment (RABI) program to help Sierra Leone’s public and private sectors improve and modernize the country’s business environment, focusing on supporting changes that will help businesses grow.

“We started the project because we all recognize that the private sector is the leader of growth,” says David Carew, Sierra Leone’s former Minister of Trade and Industry.

From 2004 to 2010, the program supported changes to regulations addressing business start-up, tax and customs reform, tourism investment generation and development, investment and export promotion, and public-private dialogue facilitation. Its activities included:

- Reducing barriers to new business registration and streamlining the administration of taxes, specifically – to help draft and implement new legislation to reduce the time and cost of business registration and make the registration process more accessible and – to help change necessary policy and administrative aspects of paying taxes in order to reduce the burden on small businesses;

- Creating a platform for effective and constructive dialogue between the government and the private sector in focal areas such as financial sector reform, access to land and overall improvements in the investment climate, and supporting reform in those areas; and

- Building and developing an effective investment and trade facilitation structure and promoting Sierra Leone as a vibrant and desirable location for business, especially in the tourism and agribusiness sectors.

RABI tackled formidable challenges, knowing they could be overcome. It also worked in two fundamentally different ways from most previous projects: it was more streamlined and delivered results fast by putting people on the ground to ensure action and sustainability.

RABI was innovative, responsive, and departed from traditional private sector development and trade reform projects by focusing on many areas. RABI’s pioneering approach involved a comprehensive, integrated reform program that worked closely with the government and local institutions. RABI went from diagnostics to solution design to implementation with staff on the ground supporting the operation. Engaging with both the
public and private sectors helped RABI build confidence in the country and move quickly and efficiently to respond to the government's needs, despite a change of administration, from the SLPP (Sierra Leone People's Party) to the APC (All People's Party), mid-way through the program.

“It was a post-conflict country, and people were still worried about infrastructure, water, and food – people weren't talking about softer infrastructure to catalyze growth,” says Muyuka-Digbeu. “RABI was unique in putting in such support so soon after coming out of a conflict period.”

RABI focused on quick-wins before moving on to tackle more complex and political problems.

“Starting with the business registry creates an appetite in the country with the government for reform,” says Mary Agbohli, IFC Resident Representative for Sierra Leone, of efforts to introduce a one-stop shop to register businesses within three days. “Once issues with registering a business have been addressed, we can address the bigger things.”

Throughout RABI's lifespan, IC Advisory Services consulted experts from across the World Bank Group, and worked closely with Sierra Leone's government. Central to RABI's strategy to support the country's private sector was helping strengthen two business-focused institutions: the Sierra Leone Business Forum (SLBF) and the Sierra Leone Investment and Export Promotion Agency (SLIEPA). Both organizations are today independent bodies, but were created to mobilize and advocate for change to help companies in Sierra Leone do business more easily.

Sierra Leone has enjoyed the fastest improvement in political stability in the world in recent years, and has made major improvements to its investment, trade, and business start-up policies. The World Bank Group's Doing Business Report lists economies around the world on the ease of doing business based on a number of business procedures and is a good way to gauge a country's regulatory performance in establishing a business-friendly regulatory environment. Since 2006, thanks in part to the efforts of SLBF, SLIEPA, and the RABI Program, Sierra Leone has risen 20 places in the annual Doing Business survey – to 148 of 183 economies evaluated on objective measures of business regulations and their enforcement.

Sierra Leone’s Doing Business Rankings

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Source: Doing Business, 2011 World Bank Group

When the Doing Business report came out in 2008, Sierra Leone’s government asked the IC Advisory Services team to help it improve its indicators. IFC’s Doing Business Reform Unit visited Freetown immediately after the request and presented its recommendations. The government also created an inter-ministerial “Doing Business Reform Committee” and SLBF helped develop a list of administrative reforms to improve the country's position on the rankings, as well as some of the legislative reforms needed to ensure more fundamental changes in the investment climate. With support from RABI, which included the appointment of a Doing Business consultant in Freetown to provide input into the government’s initiative, the country passed several laws, streamlined agencies and worked with the private sector to make permanent improvements to the country's business environment. Two government-led committees were created to determine how best to boost the indicators, focusing on key areas for reform – business start-up, registering a property, access to finance and paying taxes. The committees were chaired by the Minister of Trade and Industry and included representatives from government agencies and a local lawyer. The resulting four pieces of legislation enacted by Sierra Leone have significantly improved the country's rankings:

1. The Companies Act brought Sierra Leone in line with international standards
2. The Bankruptcy Act made it easier to close a business
3. The Payment Systems Act ensured payments can be made electronically and in line with monetary policy in the Economic Community of West African States region
4. The Goods and Services Act introduced a streamlined tax that encompasses seven pre-existing and overlapping taxes

Red tape has also been cut by improving the speed and cost of registering a business; speeding up the time taken to file tax returns; and by new High Court rules that stipulate parties should exchange documents ahead of hearings. The minimum capital requirement for commercial banks has been increased to $5 million. While this has forced one player, Procredit, out of the market, it has strengthened the standing of other commercial banks, helping them secure private sector funds.

“Under RABI we have seen great progress in the ease of doing business in this country,” says former Minister of Trade and Industry David Carew.

“The business environment in Sierra Leone has completely changed in the last few years,” says Eva Roberts, a Diaspora Sierra Leonean who returned home in 2007. “I hadn't been home since 1990, but my husband and I felt it was safe to come now,” says Roberts. “The biggest shift I noticed was one in attitudes – nobody wants to let the country go back to the way it was before, and the younger generation coming back is really cause for celebration. They haven’t lived through the difficulties in the past, so their minds are open.”

Roberts has invested in a tourism project, has been growing cassava and raising tilapia in fishponds, and is considering cultivating moringa, a nutrient-rich plant with numerous applications. With her plan to produce and process the plant,
she won Business Bomba, a 2009 nationwide competition to find
the country’s best budding entrepreneurs. The competition was
funded by DFID, the George Soros Development Foundation, and the
Government of Sierra Leone.

“The night I won, everyone was throwing their business cards at me,”
she says, adding that access to capital is one of the hardest obstacles to
doing business in Sierra Leone. “I went on to have meetings with fi ve
banks, and in the next 18 months I’m thinking of producing herbal
teas from the dried moringa leaves.”

work with our international and local partners, we have achieved a
number of results in a key areas, such as business start up, tax and
customs reform, tourism and other investment and export promotion,
public-private dialogue, and in the general business enabling
environment – all in a very difficult environment. This shows the
government’s strong appetite for reform, and also help lays the
groundwork for future reforms.”

Future reforms will ultimately depend on Sierra Leone’s commitment
to continue to push through private sector reforms, something the
President has already said is clear.

01. SAVING BUSINESSES TIME AND MONEY IN REGISTERING A NEW BUSINESS

Registering a business in Sierra Leone has historically involved a tangle of red tape, bribes and lengthy delays. Today, however, lower
fees and quicker processing times are encouraging the country’s numerous informal traders to officially register their businesses. In
2008, Sierra Leone was the most expensive place to open a business in the world. A year later, following RABI interventions and the
establishment of the one-stop shop, it was the easiest in West Africa, involving the lowest number of steps.

Sierra Leone’s only international accountancy firm, KPMG, once charged companies wanting to establish in the country $5,000 to
oversee the complicated process. Today, KPMG has abandoned this service because the process is so much simpler and less expensive.
Following intensive lobbying (led by the Sierra Leone Business Forum, an independent public-private dialogue organization established
with RABI’s support) for new rules concerning business registration, entrepreneurs can now register their business at a single location in
three days for the equivalent of US $50 – and without paying a lawyer.

Before RABI started in 2004, business registration took eight steps, 26 days and cost 1,540 percent of income per capita. The most
recent survey of Doing Business (2011) says it takes six steps, 12 days and costs about 110.7 percent of income per capita, making it 61st
easiest place in the world to open a business, – easier than in Spain, South Africa, or the Bahamas.

“Before it was just a gamble – previously the process was fragmented, a company needed to be registered by a solicitor, pay advance tax,
and it would take a long time,” says Joseph Fofanah, deputy registrar general at the Office of the Administrator and Registrar-General’s
Joining the Formal Economy

Marie Bob-Kandeh, the managing director of Rehoboth Services, Secretary General of the Market Women’s Association and representative of the informal sector on the board of the Sierra Leone Business Forum, started out as a street hawker. For years she sold sugar, tomatoes and onions from a basket balanced high on her head as she negotiated Freetown traffic. Later, in 1993, building on her hard-won knack for business, she ran a vegetable market stall in Garrison Street, in the heart of downtown Freetown. A long-term champion of the informal market, she has finally registered her first ever formal business at the new one-stop shop, naming it Rehoboth, a Biblical word for that she represents freedom.

“I started out hawking on my head. I had to leave very early in the morning, and then I would work all day,” she says. “It was difficult for businesspeople to develop companies in this country. Lurid prevented investment, even if you wanted hard. Even our own local people were distrusting each other because of informality. That after the 2002 Business Act many things were amended. Like the rule abolishing the payment of advance tax.”

“So, like me, have registered since the Act. My business is my own, that’s why I called it Rehoboth, a Biblical word: it’s my business so it’s my freedom. Now that I have registered Rehoboth, I have the opportunity to apply for contracts. I couldn’t do that before.”

“In the past it was difficult to register your business, and people are still thinking it will be the same. We used to tell our people about the advantages.”

(OARG) One-Stop Shop: “Now anybody can just come, it takes one, two days – at most three.”

The one-stop shop is simplifying federal procedures and making it easier for businesses to join the formal economy. Businessmen and women no longer have to visit several different government agencies and lines up in various offices. Establishing the one-stop shop was part of an effort guided by the RABI Program to formalize large parts of Sierra Leone’s economy and to encourage foreign investors to set up in the country.

Much of Sierra Leone’s economy was informal in 2004, according to a study commissioned by IFC at the time. Estimates of the proportion of unregistered business varied between 40 and 80 percent. Sierra Leone’s informal economy was estimated at about 43 percent of GDP, according to the Doing Business 2005. In the same year, the Sierra Leonean Census of Business Establishments estimated that two-thirds of the country’s businesses were not registered with any government agency.

Generally, informality constrains growth, costing developing countries dearly. Beyond the obvious lost tax revenue, informal businesses are less productive and smaller than formal ones. One McKinsey Global Institute study showed that informal companies are on average three times less productive than formal ones. Informal companies also struggle to access capital, and their employees do not benefit from social protection or training.

Yet, as of 2007, most firms in Sierra Leone, in all stages of the investment cycle (start-up, locating and operating), found it simpler and more cost effective to remain informal than to comply with cumbersome licensing, tax and other official requirements to start and operate a business.

To help streamline Sierra Leone’s business registration process, the RABI Program identified barriers and proposed strategies to eliminate or reduce them. An IFC survey of sources of informal economic activity throughout Sierra Leone identified costs as the main barrier to business formalization. The survey, published in April 2006, found that of 659 informal businesses surveyed, 87.9 percent cited the high cost and burden of licenses as the reason for their informality, alongside lack of information (79.2 percent) and the tax burden and administration (73.6 percent). Entrepreneurs stayed informal because the total costs of entry, operation, and exit associated with joining the formal sector were prohibitive.

Among the 1,199 responses by formal and partially informal firms, 56 percent of businesses said formal businesses were in a better situation, and 45.1 percent said they had operated in the informal segment before they became formal. Although informality offers some benefits to businesses (no taxes, social contributions, regulatory fees or compliance costs), its downside is great. Some of the negative impacts on businesses of staying informal are: having to keep operations small enough to avoid being noticed by the government or paying bribes to go “undetected”; limited access to finance; no possibility of bidding on government contracts; reduced productivity.

For most survey respondents, the most important reason for wanting to formalize their business was a desire to expand. However, more than a third (35.8 percent) of the informal market said they “knew nothing” about the steps needed to formalize their business. Another 27.2 percent had tried previously to become formal, but said they could not find all the necessary information or the steps were too expensive or too complicated. More than half (56.2 percent) said they would consider becoming formal if more information were available.

At a Glance

The General Law (Business Start-Up Amendment) Act 2007 and the Registration of Business Act 2007 put into law five specific RABI program recommendations:

- Cancellation of foreign exchange requirements when registering a business
- Elimination of the obligatory involvement of a lawyer (solicitor) in the business registration process to prepare a memorandum and articles of association
- Elimination of the annual renewal of the business registration license
- Elimination of the advance tax payment for newly registered businesses
- Combination of the work and residence permits into a single permit and extension of the validity of this permit beyond one year

An even greater number (87.9 percent) said that lower taxes would encourage them to go formal.

The RABI Program created a two-month advertising campaign (launched in May 2009) to inform the public about the business registration process. Radio jingles in Krio and English heavily promoted business registration via the country’s most widespread form of media. Journalists were invited to tour the OARG’s renovated building to help spread the word.

Billboards still stand at key gathering points throughout Freetown, trumpeting the new, cheap, easy registration process. “Business registration now made easier, faster and cheaper,” reads the campaign’s simple and effective slogan.

RABI supported the following additional changes to the business registration process:

- Drafting, review and enactment of an amendment to the General Law–Business Start-up and the Registration of Business law
- Elimination of requirements for businesses to obtain exchange control permission from the Central Bank
- Mandatory involvement of solicitors in the preparation of company documents
- Requirements for a newly registered company to make an advance tax payment
- Annual renewal of business licenses
- Creation of templates and standardization of forms for reporting to OARG
Improving the business registration process has produced a number of notable results, including higher revenue collection; an increase in the number of registrations; and easier foreign business registration. The time required to register a new business fell from seven to about two days, and the costs dropped from US$1500 to US$79.

“Revenue collection jumped considerably,” says the OARG’s deputy Fofanah, citing data from the National Revenue Authority (NRA), which show that more than 1 billion Leones ($250,000) were collected in 2009, up from 600 million Leones ($150,000) in 2007.

“We’re starting to see the impact because now I can say there has been a considerable rise in the number of applications,” says Fofanah. “Because of the reduction in the cost of doing business, most of these guys in the informal sector are now coming and registering their businesses.”

Marie Bob Kandeh, Secretary General, Sierra Leone Market Women’s Association, agrees: “The business climate has improved—I now understand the business registration process and can afford it, too. As a result, I have formally registered my business.”

The number of businesses registered has more than doubled in five years, from 369 in 2004 to 861 in 2009.

Trends in New Business Registrations

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Source: Office of the Administrator and Registrar General

*Rdy year to date as of June 2010

RABI’s support went beyond technical advice to help with practical aspects of creating a streamlined registry. The Business Registration Center at the OARG in Freetown was refurbished and now houses representatives from the NRA and the Freetown City Council in a one-stop shop where businesses can complete each step of the process. Efforts are underway to computerize all the information, including company names, to make searches faster and more reliable. Computerization will also make it easier to retrieve data from the completed forms. So far, more than 4,000 records (complete through 2005) have been computerized. Another planned improvement is extending one-stop service to locations throughout the country. Currently, businesses from across Sierra Leone must come to the capital to register. Under a scheme funded by the Investment Climate Facility for Africa, Fofanah says four centers — in Bo, Makeni, Kenema and Port Loko — will open up before the end of 2011.
Tax collection

Before the RABI Program’s intervention, Sierra Leone’s tax collection rates were among the lowest in the world – 10 percent of GDP in 2008, well below the African average of 22 percent. This poor performance was caused by a glut of tax laws, a lack of understanding among taxpayers, and a poorly-equipped tax authority.

The RABI Program, by supporting and advising on tax policy and administration reforms, set out to help the government boost tax revenues to 12 percent of GDP by 2013.

"Getting tax revenues up to 12 percent of GDP, while still a relatively small percentage, is a big jump for them," says Sebastian James, Senior Investment Policy Officer and Taxation Specialist at the World Bank Group’s Investment Climate (IC) Advisory Services, who led work on the tax component.

To begin, RABI identified the lack of public awareness and understanding of taxes as major barriers hindering their collection. In response, RABI designed and implemented a taxpayer education program to raise awareness and preparedness to pay. Second, it supported changes to simplify and strengthen tax policy and tax administration to reduce the burden on small businesses, encourage formalization, and, ultimately, widen the tax base. Finally, it helped clarify confusing procedures and rules that hampered business and foreign investment, removing a substantial barrier to investment.

Although the Government of Sierra Leone introduced the Income Tax Act in 2000, even by 2006 few were paying what they owed, and those who did pay often paid too little. An April 2006, a RABI survey found that among formal or partially formal businesses (which declared their earnings), 61 percent declared less than half their revenues to authorities and about 16 percent of businesses reported nothing at all.

The conclusion? Only about 25 percent of businesses were reporting their revenues.

The NRA, established in 2002, had previously informed the public through newspaper ads about the need for those whose profit for the previous year exceeded Le 1,500,000 (US $375) to pay in the range of 20 to 30 percent tax, depending on their income band. In a country of nearly six million people, where fewer than 20,000 newspapers are printed every day and just over a third of adults are literate, those ads were largely ineffective.

An NRA taxpayers’ perception survey found that more than 70 percent of taxpayers could not read or write English. That made clear the need for local-language radio discussion programs throughout the country to help ensure that people understood what was required of them as taxpayers.

“Sierra Leone is very grass roots, so getting information and knowledge of tax out to the people is a challenge that needs a special approach,” said Buffy Bailor, IC Advisory Services consultant.

To help the government more effectively inform the public about taxes and tax policy, the RABI Program developed a variety of methods, including sponsoring awareness campaigns and workshops, and developing street advertising and radio shows. The RABI-developed communications strategy complemented the NRA’s wider modernisation program, funded separately by UK aid, and helped the NRA set up a special public affairs and taxpayer education unit. This unit increased the spread of information, drummed up support for taxpaying via widespread public communications, including innovative methods such as sending out mobile vans with public address systems onto the streets; helped explain the process through practical workshops; and developed a better website.
Sierra Leone’s complicated tax system has historically dissuaded investment. The country’s vague tax provisions, multiple tax instruments, arbitrary implementation of tax laws, negotiated exemptions, limited opportunities for redress of grievances, and excessive discretion provided to tax authorities in the laws, have penalized existing investors and deterred new ones.

Parallel with efforts to publicize the need to pay taxes, RABI also supported efforts to simplify the tax system, especially customs and overlapping service taxes. The expectation was that simpler laws would encourage payment, avoid bottlenecks and reduce corruption.

These efforts included:

- Helping the NRA publish the consolidated Income Tax Act for Sierra Leone in May 2009, which included amendments made since 2000, reduced time spent by lawyers, accountants and judges interpreting the law. This was the first official publication of all tax-related regulations since 2000.
- Working with the NRA to reform the SME Tax Regime, including simplifying the process SMEs use to pay taxes, and supporting the passage of the Finance Act, which reduced the cost of compliance for businesses by reducing or eliminating fees and user charges. Introducing a goods and services tax (GST) that combined seven different taxes (covering hotels, entertainment, import sales and other services taxes) into one.
- Coordinating with government to introduce a computerized software package at the Customs and Excise Department (known as the ASYCUDA++), which streamlines Income Tax Department processes and procedures for new businesses.
- Bringing together a tax working group, which is led by the Sierra Leone Business Forum and includes key stakeholders from the Chamber of Commerce, the Association of Small Businesses, the Ministry of Finance and the National Revenue Authority.

Now, March 31 is no longer just another day on Sierra Leone’s calendar. It is a date synonymous with the deadline for tax “self-assessments.” Thanks to efforts of the NRA and the RABI Program, Sierra Leoneans now experience a “tax season” and are held responsible for filing their own income tax returns.

“...well known by March 31...”

The public awareness campaign also explained that taxpayers who failed to file their income tax returns by the 2009 deadline were subject to a penalty of 10 percent of the tax due plus a Le 50,000 ($125) fine. “Dis de go for all udat wey de refuse for obey di law (this applies to everyone who refuses to obey the law),” went the radio jingle.

After the first campaign, almost half of the 50 largest taxpayers completed their returns after the May 31 cutoff point for late filing. In 2010, the NRA raised the late payment penalty from Le 50,000 to Le 2,000,000 ($500), and Le 1,000,000 for small businesses.

In 2008, at the government’s request, RABI assessed the impact of tax waivers applied to a variety of deals designed to attract investors. The assessment concluded that the
incentives cost an estimated minimum of 20 percent of total tax revenue annually and were being given out in a secret and ad hoc manner, drawing little parliamentary oversight. Another analysis suggested the waivers, which included import duty exemptions, amounted to 30 percent of revenue, or 0.44 percent of GDP.

RABI Program staff discussed these findings with key players in the Finance Ministry, NRA, Office of the President, SLIEPA, the World Bank and the International Monetary Fund, and recommended that Sierra Leone stop exempting businesses on a case-by-case basis and instead draw up universal criteria; require parliamentary approval for any prospective tax waivers; ensure that all companies file tax returns, whether or not they were exempted from payment, and be subject to audit by the NRA.

In December 2009, the Sierra Leonean Cabinet passed a tax incentive policy that reduced discretion and disqualified any tax incentives that were not enacted into law.

Overall, the results of RABI’s support for tax reform are impressive. The table below provides a summary view of Sierra Leone’s goals and progress to date.

<table>
<thead>
<tr>
<th>Goal</th>
<th>Baseline</th>
<th>Target*</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce time to file taxes</td>
<td>599 hours</td>
<td>200 hours</td>
<td>357 hours</td>
</tr>
<tr>
<td>Reduce number of tax payments</td>
<td>28 payments</td>
<td>20 payments</td>
<td>21 payments</td>
</tr>
<tr>
<td>Savings to businesses as a result of tax reforms</td>
<td>Zero</td>
<td>$1 million</td>
<td>$244,000</td>
</tr>
<tr>
<td>Increase tax/GDP ratio</td>
<td>10 percent</td>
<td>12 percent</td>
<td>11.7 percent (2009) 12.3 (projected 2010)</td>
</tr>
</tbody>
</table>

Source: IFC
*Target date varies. In most cases, goals are targeted to be achieved within two to three years after RABI Program completion.

Following a request from the Government of Sierra Leone to increase dialogue between the public and private sectors, the Sierra Leone Business Forum (SLBF), supported by RABI, set out to create a forum where government and business could share concerns and discuss strategies.

“RABI gave us the business forum, which acts for us as a bridge between the private and public sectors,” says Alpha Tamur-Jalloh, President of the Sierra Leone Importers’ Association and an SLBF board member. “We were looking for an advocacy group that would put our position forward and that was lacking. But now, anything we say will reach the government. I can get the government to listen.”

From its creation in 2007 as an IFC-operated and funded entity, the Sierra Leone Business Forum (SLBF) promoted private sector interests on issues including tax modernization, financial sector reform, land rights, or other legal reforms, and lobbied for important, business-oriented changes. In 2009, the RABI Program helped the organization develop strong governance and financial management processes and procedures, and become an independent entity, operated by a board with representatives of both the formal and informal sectors, and run by a professional manager. The board is comprised of four leading business membership organizations with the head of the Chambers of Commerce and the Minister of Trade and Industry as co-chairs of the SLBF Board of Directors. IFC continues to support the SLBF through a grant agreement.

“The most important thing has been creating a voice at the table,” says Olumuyiwa Robin-Coker, former executive director of SLBF from inception to October 2008, and now private sector advisor to the President.

By 2008, the forum already had “an impressive story to tell,” according to a report commissioned by DFID and written by a team of international consultants from consultancy firm Adam Smith International. SLBF’s crowning achievement that year was a private sector forum – the first of its kind – held with the Office of the President in June 2008, when the SLBF presented the findings of its working groups and its concerns and recommendations to the president, vice president and other ministers and government officials.

Sierra Leone was ranked 169 of 178 countries in the 2008 World Bank Group’s Doing Business report, something that did not sit well with the private sector and President alike. Nearby Ghana was far higher, at 87.

“We should at any given time sit down and talk about the issues, the problems, and the challenges that we need to address, and come back at the next session and report on the progress we have made and ensure that we remain focused.”

The Presidential Private Sector Forum was described at the time as “the most Sierra Leonean dialogue ever undertaken.” President Koroma was committed to ensuring the private sector’s voice would be heard. The meeting produced genuine momentum for reforms.

03. CREATING A PLATFORM FOR PUBLIC-PRIVATE DIALOGUE ON BUSINESS-ORIENTED ISSUES
“We’ve had a lot of seminars, a lot of talking shops and no action,” said President Koroma. “The challenge is for all of us to translate the dialogue, the talking, the presentation of papers... into action.” The President continued to urge the forum to bring problems to the government, saying, “If it requires new laws, we will pass the laws.”

Crucial to the formation and effectiveness of the SLBF was having input from many voices, including the informal sector, whose reach and impact stretched across the country. SLBF’s business umbrella covers many single-interest groups, such as the Fullah Progressive Union, the Chinese Chamber of Commerce and the Indian Merchants Association, as well as the ministry of lands, ministry of finance and SLIEPA. Demonstrating its commitment to them, SLBF gives its informal sector representatives some key responsibilities. Marie Bob-Kandeh, Secretary General of the Market Women’s Association, represents the informal sector on the SLBF board.

When World Bank President Robert Zoellick held discussions with Sierra Leone's private sector in 2010, he met foreign investors and the managing directors of mobile telephone companies and banks, and also Victoria Williams, executive secretary of the Sierra Leone Indigenous Business Association, and Marie Bob-Kandeh of the market women’s association.

“I never imagined I would be chairing a meeting with the head of the World Bank,” says Bob-Kandeh of leading the meeting, which raised business needs ranging from high electricity costs to the need for feeder roads to promote agriculture, from lack of capacity to combat illegal fishing to access to long-term finance. “It was an honor and a chance to tell him what we think.”

SLBF’s advocacy efforts paid off in the form of six new laws or amendments that drastically reduce red tape and saved businesses time and money:

1. Companies Act
2. Payment Systems Act
3. General Services Tax
4. Bankruptcy Law
5. Amendment to the General Law – Business Start-up
6. Registration of Businesses Law
To help Sierra Leone increase its share of foreign investment, the RABI Program supported the government’s efforts to promote the country to the international business community. In May, 2007, the Sierra Leone Investment and Export Promotion Agency (SLIEPA) was established. Launching an institution from scratch in a post-conflict environment was challenging. To guarantee the institution’s success, RABI provided a wide range of technical assistance, including: strategy development and sector targeting, incorporating information technology to improve operations, and record keeping of interactions with investors.

RABI helped SLIEPA prepare an investment guide, which describes potential in key agriculture subsectors, including sugar cane, palm oil, livestock, and biofuels. The guide also estimates the country’s potential annual fish catch from its 400km of coastline.

The RABI Program also helped SLIEPA prepare detailed promotional packages for the agribusiness, sugar, and palm oil sectors – three of the country’s most promising investment opportunities.

Research uncovered three potential sites suitable for sugar plantation investment, each worth $100 – 200 million and with the potential to generate 20,000 jobs. Two sites were identified for palm oil, also worth $100 – 200 million each and with the potential for 20,000 jobs each. This is a significant economic opportunity for a country desperate to create more private-sector driven jobs, especially in the rural areas.

“A major achievement of SLIEPA via the project was to help the government understand the potential impact of attracting large investments,” says Andrew Thorburn, IC Advisory Services’ Lead Advisor to SLIEPA. “SLIEPA prepared a presentation for ministers and senior officials that talked about the sort of job numbers that could be created by a handful of large investors. Suddenly it wasn’t just a question of improving the business environment to get a better Doing Business ranking, but because there is real potential to transform the economy through very significant job creation. So, you now have a government who understands the potential impact both of business reforms and professional investment promotion activities. It’s not often that this happens.”

A revamped Web site (www.investsierraleone.org) is helping investors understand what is on offer and gives practical advice on...
investment considerations. The website features:
- a number of studies, downloads describing opportunities in agriculture, oil and gas, energy, fisheries, mining and tourism; facts and figures, and information on incentives and tax systems, land tenure and business registration.

The IC Advisory Services team also supported efforts to improve access to land and clarify regulations surrounding land ownership, a complex issue often fraught with political ramifications. Primary areas of progress have been to encourage better access to information about property rights, and increased transparency in land transfer.

Thanks to support from RABI experts, SLIEPA achieved numerous other milestones:

- SLIEPA communicated opportunities in Sierra Leone’s agribusiness sector to potential investors in Brazil, China, India, and Kuwait through missions led by President Ernest Bai Koroma.
- SLIEPA organized the Sierra Leone Trade and Investment Forum in London in November 2009. The very successful, high-profile event, attended by former British Prime Minister Tony Blair, investor George Soros, and Prince Charles, Prince of Wales, attracted over 600 registrants and demonstrated that Sierra Leone is a peaceful, stable democracy that is open for business. The event showcased the government’s commitment to reform, and highlighted investment opportunities in the country’s strategic target sectors of tourism and agribusiness.
- Active investment leads have grown from four in the first year of operation to more than 100 as of June 2010. In the month following the Trade and Investment Forum, SLIEPA received a 71 percent increase in investor inquiries. Interest in investment in agriculture and mining increased by 55 percent and 81 percent respectively.

DFID says SLIEPA is seen as a model by international advisors for effective investment promotion. After just two years, the agency enjoys international credibility as a professional organization that can facilitate investment and trade effectively.

“When the ministries get leads, now they send them our way because they know we can deal with them best,” says Patrick Caukel, chief executive officer of SLIEPA. “Investors interested in Sierra Leone now come through SLIEPA because we’ve established we can work with all the key ministries and we give them the access they need.”

SLIEPA operates with a staff of only 11, a small number by African standards considering most successful IPIs on the continent have about 30 employees. SLIEPA has contacted the top 50 companies in seven key sectors and is working on developing relationships with them.

“They’re hitting their stride. Even the most sophisticated investor would be impressed at the level of intelligence and effort,” says Ari Untracht at Tony Blair’s Africa Governance Initiative (AGI), who worked with the government in cooperation with RABI and SLIEPA to help attract investment.

However, like many agencies of its kind in less developed countries, SLIEPA relies largely on donor support because the government cannot afford to fund the agency’s entire budget. As RABI Program support comes to an end, SLIEPA will need to raise money from donors to continue to promote investment in Sierra Leone.
Tourism

The RABI team, working with SLIEPA and the government, also helped increase investor interest in Sierra Leone’s tourism industry. The initial aim of this work was to develop a strategy to restore the tourism sector to levels of success it enjoyed in the 1980s when more than 100,000 visitors came annually, drawn to the country by its pristine beaches, mountainous jungles, and captivating culture and history.

Sierra Leone wanted to capitalize on the momentum created from positive reports in international newspapers and guidebooks that celebrated its “breathtaking coastal grandeur,” “magnificent powder-white” beaches and “the fun to be had in Freetown, the “prettiest town on the West African coast.” Sierra Leone was named by Lonely Planet, the world’s largest guidebook publishers, as one of the top 10 places to visit in 2009.

RABI established early on that a lack of investment in accommodation and other infrastructure was hurting tourism growth. To attract more tourists, the decision was made to develop a limited number of key sites and create clusters of services around them. Three areas were selected:

1. The beaches of the Western Peninsula
2. The culturally rich former slave trading point Bunce Island
3. The remote wildlife-rich rainforests of Tiwai Island and Outamba Kilimi National Park.

There were, however, problems with this strategy.

“We knew access to land was a huge constraint to tourism development, so we conducted a thorough legal review to understand the landscape,” says Miyake-Digbeu. “Despite the initial assurance from the government, we concluded after a long, hard look that there was no uncontestable state-owned land optimal for tourism development in Western Area.”

“The creation of a “unified” land regime for all of Sierra Leone is a mid- to longer term project... (and) will require painstaking outreach and consensus building efforts,” said Stephen Butler, an IC Advisory Services consultant from the University of Chicago, who advised the government on a proposed national lands policy.

RABI reacted to the situation by re-focusing its efforts on identifying how sector policy and regulatory and institutional elements constrained tourism growth, and on addressing some of the constraints. The team achieved the following:

- Reached out to other donors to look at how RABI could contribute to Sierra Leone’s long-term tourism development.
- Worked with the National Tourism Board to draft an action plan for tourism development, which attracted a US$1.5 million grant for implementation.
- Helped develop an action plan to launch the Sierra Leone Environmental Protection Agency and discussed conservation issues related to long-term tourism development with the European Union and the World Bank.

The project was launched at the start of the global financial crisis. It was hard for many to raise capital for a new investment project. In Sierra Leone, the needs for additional infrastructure to be built by investors, still weak tourist arrival figures, higher cost of capital given the perceived risk, lack of clarity over land rights, and other factors made a tourism project in Sierra Leone, even in the Western Area, a difficult proposition for investors and financiers,” says Maiko Miyake-Digbeu, the IC Advisory Services’ Regional Program Manager, West and Central Africa, who led the tourism efforts.

Among the numerous challenges it addressed, the IC Advisory Services team support focused on improvements in land policy, which were being developed by the government and stakeholders. However, the lack of a tourism-friendly land policy proved to be insurmountable.
LESSONS LEARNED

Doing Business rankings, and the government could point to change. Sierra Leone moved up the World Bank Group’s in business start-up registration involved legal and process experience:

Experience: Having a team on the ground, and a budget to support them, speeds the implementation of reforms. The time has passed for measuring reforms in terms of what has been achieved officially; the process now involves having a team on the ground to follow through the actual implementing of reforms. This approach was taken in Sierra Leone, and now is part of every country program implemented by the IC Advisory Services. Particularly in post-conflict nations, government capacity is often limited to a few individuals with heavy workloads and who are under tremendous strain to implement their agendas. Project teams must be prepared to stand alongside partners, step in and push into practice valued ideas.

Experience: RABI was one of the first programs in which the IC Advisory Services team was the implementing agent.

Lesson 1 - Start with the quick-wins

Principle: Particularly in a post-conflict environment, tangible reforms that produce quick and meaningful results will attract support for a wider reform program. To achieve quick wins and demonstrable results, it is important to move swiftly from analysis and assessment to implementation.

A team was based in Freetown in late 2008, and a permanent office was set up in May 2009.

“RABI has taught us a huge lesson on how you can change laws, change processes, but it is the implementation part that counts and making it happen takes time and takes a lot of human resources from the donor,” says Mary Agboli.

Lesson 2 - Get ‘on the ground’

Principle: Having a team on the ground, and a budget to support them, speeds the implementation of reforms. The time has passed for measuring reforms in terms of what has been achieved officially; the process now involves having a team on the ground to follow through the actual implementing of reforms. This approach was taken in Sierra Leone, and now is part of every country program implemented by the IC Advisory Services. Particularly in post-conflict nations, government capacity is often limited to a few individuals with heavy workloads and who are under tremendous strain to implement their agendas. Project teams must be prepared to stand alongside partners, step in and push into practice valued ideas.

Experience: RABI was one of the first programs in which the IC Advisory Services team was the implementing agent.

Lesson 3 - Nurture good relations with government and beneficiaries

Principle: Programs usually work best when government and other groups fully support reforms. Garnering support for reform demands intensive lobbying: champions with plenty of sway must be identified and supported. On occasion, persuasion does not work, and projects must operate from the top down.

Experience: President Koroma, elected in 2007 on a ticket to run the country along business principles, created a government sympathetic to the types of reforms supported by the RABI Program. He intervened to set the mood, whether it was by spearheading an agenda for change, visiting a port to oust corrupt customs officials and tax-avoiding importers, or delivering speeches to hundreds of investors to drum up support for a happier, wealthier Sierra Leone. High-level political backing for reform makes legal and regulatory changes easier, faster, and more permanent.

However, backing from the highest levels of government does not guarantee success. RABI learned an important lesson when seemingly uncontroversial reforms provoked political stalemate and a strike. In 2007, Sierra Leone’s legal community united to oppose RABI proposals to end the requirement to consult a lawyer when registering a business. The Attorney General offered no support, and even the Chamber of Commerce, a champion for the business community, backed the Bar Association in support of the lawyers on their board. The IC Advisory Services team prevailed only by appealing to the Vice President, making the case for reform and isolating the narrow self-interest of the legal profession. The Vice President supported the reform and instructed the Attorney General to do the same. In the end, it was evident that the Bar Association had opposed the reform solely because they had not been consulted. The lawyers knew nothing about the broader reform program, and thought they were being singled out by the government and its foreign advisors.

The IC Advisory Services team now ensures broader communications are a part of each component, both informally and through public–private dialoguer structures such as the Sierra Leone Business Forum.

Lesson 4 - Assist government capacity and coordination

Principle: The responsibility for reforms rarely lies within one ministry. Coordinating among several government ministries is often required to achieve reform. Any government running a country emerging from years of conflict is likely to lack resources and capacity to coordinate among all the parties to effect change as quickly or robustly as it might like.

Experience: Ministries and government bodies in post-conflict countries are often bogged down trying to obtain basic equipment, such as chairs and computers, or with hiring and training staff. The time and effort devoted to these tasks reduces their capacity to get on with their proper job of governing. RABI supported government reform efforts by cross-training staff at the ministries. For example, the program trained officials at the Ministry of Finance on tax policy, and placed a tax expert on site to work closely with them.

A dedicated RABI Coordinator was appointed to the Ministry of Trade and Industry to respond to the client’s needs, and consultants embedded within the Private Sector Advisory Unit of the Office of the President helped coordinate government-wide efforts to focus ministries on the same reform targets.

Lesson 5 - Be ready to adapt the timeline

Principle: In post-conflict environments, projects often move more slowly than planned. Certain delays may be beyond the control of project staff. Post-conflict countries lack sufficient human resources to cope with problems; political events (elections and cabinet reshuffles) can disrupt government planning and, consequently, reform activities.

Lengthy internal procedures to hire staff or to put in place the infrastructure and equipment necessary to carry out program activities can also cause delays.

Experience: Sierra Leone’s fluid political landscape forced the program to adapt to new faces and aims. The 2007 elections brought much of the business of running the country to a standstill for months.

“Nobody was thinking about the impact of the election, and 90 percent thought there would be no transition,” says Olumuyi Robinso-Coker, private sector advisor to the President.
Change can also present unexpected opportunities. Following the new president’s embrace of the reform agenda, now managed by his own private sector advisor, the RABI Program responded and appointed a dedicated Doing Business Consultant within the Office of the President to support the government’s reform agenda.

Lesson 6 - Develop a robust communications strategy

**Principle:** A program’s achievements lose their impact if nobody knows about them. External communication plays a key role in the reform process – increasing awareness and helping government learn how to construct messages. Internally, the team requires a close relationship based on mutual trust and joint communications.

**Experience:** The RABI Program put communications at the core of its approach. The program used a variety of communication methods, including producing a video about the potential benefits of business start-up reform to build domestic support to hiring town criers to explain the benefits of paying taxes. In the areas of tax, investment promotion, reforming the business climate or overhauling business registration, RABI employed the mass media and small media to disseminate information about the reforms.

Open communications also helped improve the previously tense relationship between government agencies and the private sector. Channeling discussion through the Sierra Leone Business Forum, for example, helped to give real credibility to reforms and communicate them in partnership with government. Reaching out to private sector organizations helped build consensus to support the reform agenda. The IC Advisory Services team also met regularly with business associations spanning the formal and informal private sectors, including the Chamber of Commerce Industry and Agriculture, the Sierra Leone Indigenous Business Association (SLIBA), the Market Women’s Association, the Sierra Leone Importers Association, and the Sierra Leone Petty Traders Association.

In partnership with the World Bank Country Office, the team built a relationship with the nation’s media through the Network of Development and Economic Reporters (NEDER). The program facilitated business reporting training in collaboration with the Sierra Leone Association of Journalists (SLAJ) and the Mass Communications department at the University of Sierra Leone (Freetown College), recognizing that with a better understanding of business and economic issues and how they link to the country’s overall development goals, the media can champion key reforms and galvanize critical public support.

Internally, the team also built a working relationship with the World Bank Group. Weekly team meetings helped component leaders coordinate and share information to avoid duplication of efforts. Information was also shared through monthly reports sent to team members.

Lesson 7 - Foster donor coordination and partnership

**Principle:** Donor coordination is central to helping the government achieve optimal results and prioritize areas of focus.

**Experience:** The IC Advisory Services team trained officials to establish and work alongside others. RABI established good working relationships with several other donors and technical partners. Experts from the United Nations Development Program (UNDP) and from Tony Blair’s Africa Governance Initiative (AGI) worked alongside RABI in the Office of the President, allowing the projects to communicate daily. In addition, the United Nations Industrial Development Organization (UNIDO) funded specialized training for SLIEPA staff, including technical support on developing policy documents and provided SLIEPA with both policy and business finance support.

DFID developed the private sector development strategy with the Ministry of Trade and Industry in conjunction with RABI. The Africa Development Bank helped a private investor investigate possibilities surrounding a sugar plantation investment, a market segment the RABI Program included as an integrated part of programs, startup, planning and implementation.

ICF’s Conflict Affected States in Africa (CASAI) initiative, a partnership between IFC, Ireland, the Netherlands and Norway helped establish the Sierra Leone Private Sector Development (PSD) Donor Roundtable to coordinate donor support to private sector development in the country. The group, comprising PSD specialists from various donor agencies, meets regularly to coordinate their support for the government’s private sector development agenda.

The forthcoming Joint Assistance Strategy (JAS) for Sierra Leone, which will cover 2010 – 2015 in support of Sierra Leone’s Second Poverty Reduction Strategy Paper (PRSP II), also unites the efforts of IFC, IDA and the African Development Bank. The three donors are partnering to provide a coordinated approach to respond to the government’s needs.

Lesson 8 - Establish monitoring and evaluation as a critical component from the outset

**Principle:** Monitoring and evaluation (M&E) is a critical tool to help the government demonstrate impact and tell its story to program beneficiaries, investors, donors or detractors. “The facts are what matter,” says Oluiniji Robbin-Coker. “M&E must run through the very veins of a project, from start to finish.”

A main challenge in a post-conflict environment is a lack of data and research – and a lack of capacity to file and find it. Collaborating with other donors and advisors to collect and organize information by running joint diagnostics can be useful.

Baselines are important because they focus efforts on a specific target. They also reveal existing constraints. Such efforts to seek out baselines form a critical learning tool and part of the planning strategy. For this reason, M&E needs to be seen as an integrated part of programs, startup, planning and implementation.

**Experience:** The RABI Program found it hard to establish data at the outset, and as a result hired a consultant (in 2010) to establish baselines retroactively, six years after the project started. A target for the tax component, for example, was to increase the number of formal jobs by 20 percent, an aim that has since been abandoned because there was no way to measure it. Data collection has regularly proved difficult, and government agencies could rarely provide information to help establish baselines.

“At the very beginning of engaging with the client, there should be an upfront effort to identify how that information is going to be collected over time and make sure that data collection and correction is part of it,” says Desiree Asido, an IC Advisory Services consultant who worked on RABI’s M&E from 2008 to 2010. “We have to spend more time working with the government counterparts to develop their M&E capacity.”

Lesson 9 - Look to peers

**Principle:** Peer learning helps the client see the beneficial impact of reforms and demonstrates that reforms are achievable in countries that face similar challenges. Encouraging healthy competition among neighbours and other post-conflict countries also helps stimulate the reform process.

**Experience:** The President of neighboring Liberia is behind a big reform push and has created a reform committee that reports to her regularly. Liberia’s actions inspired Sierra Leone to set up a similar inter-ministerial body in 2009.

The World Bank Group’s Doing Business report rankings stimulated interest from the government, which was keen to do well in a competitive comparative field. Engaged governments can use such rankings as a tool to promote the country to both domestic and foreign investors, and as an easy way to map areas in need of reform and subsequent progress.
06. WRITING THE NEXT CHAPTER OF REFORM

When Sulaiman Kamara, now in his late 50s, arranged visas and travel for 18 friends involved in trade to try their hands at importing goods back in 2000, he ushered in a new chapter for business in Sierra Leone. Known as “The Godfather” for his role in prompting the Sierra Leonean entrepreneurs at the tail-end of the war, he took the group to Dubai.

“At that time no Sierra Leoneans were importing,” he says. “They were business people but they had never gone beyond Africa. I gave them travel expenses and organized them.”

Some came back with building materials, others with stationery, lace, shoes and other goods that filled two containers between them from the cash they brought with them. By the second trip, each was filling several containers of their own and several now import from China and elsewhere.

For Kamara, there is no question that Sierra Leone can do more in the future. “We are coming up fast,” he says.

The current phase of the RABI Program is winding down and IFC is scoping for the next phase which will focus on further improvements in the country’s investment climate. For example, the European Union has pledged its support for investment and export promotion; the United Nations Development Program, under its Enhanced Integrated Framework, is supporting eco-tourism development; and the World Bank is financing the development of a credit bureau.

Ultimately, the true test will be the Government of Sierra Leone’s own commitment to continue to push through reforms that will stimulate private sector development and create momentum for future growth.

07. KEY RESULTS FROM RABI

1. Starting a Business: With the passage of the General Law (Business Start-Up Amendment) Act 2007 and the Registration of Business Act 2007, RABI Program recommendations reduced the time and costs of registering a business and allowed for the simultaneous award of work and residency permits were enacted into law.

   Impact:
   • Time reduced from one week to 2 days. (Cost reduced from US$1,500 to US$79)
   • Total number of businesses (local and international) registered has more than doubled (from 369 in 2004 to 861 in 2009)
   • Revenue collection from business registration has increased from 600 million Leones ($150,000) in 2007 to 1 billion Leones ($250,000) in 2009

2. Customs: Implemented customs simplification procedures.

   Impact:
   • Reduction of documentation, elimination of unnecessary steps, and the introduction of a risk-based system that eliminates inspection of every shipment.

3. Tax: Eliminated the requirement that new businesses pay one-half of their estimated taxable income before they register as companies, and exemption scheme that allows compliant taxpayers to avoid advance tax at import.

   Impact:
   • Number of taxpayers increased by 40 percent (from 3,650 in 2008 to 6,535 in Q1 of 2010)
   • Payment of rates (rank): 160
   • Number of payments per year: 29
   • Time (hours per year): 357
   • Total tax rate (% of profit): 23.56

Source: Doing Business 2010

4. Dealing with Construction Permits: Improved the building approval process and reinstated phased inspections.

   Impact:
   • Cut the number of procedures for obtaining a construction permit. The country made getting construction permits easier by streamlining the issuance of location clearances and building permits – the number of procedures for obtaining a permit remains 25 (procedures), 252 (days), 345.3 (cost-% of income per capita). Sierra Leone’s Doing Business ranking in 2011 is 166, a vast improvement from Doing Business 2010, where it ranked 177.

5. Registering Property: Lifted a ban previously imposed requiring the director of survey to authenticate the cadastral map before each transfer.

   Impact:
   • Speeded property registration. The Government lifted a moratorium on sales of privately owned properties–the number of procedures for registering a property is now 7 and this can be done in 86 (days) and costs 12.2 (% of income per capita). According to Doing Business 2011, Sierra Leone’s registering a property ranking has improved from 172 in 2008 to 169 in 2011.

6. Trading Across Borders: Facilitated trade by eliminating the requirement for an export license.

   Impact:
   • Saved administrative time and cost, especially for small and medium sized enterprises.

7. Promoting Investment: Delivered capacity development program to Sierra Leone Investment and Export Promotion Agency, which is now operating efficiently.

   Impact:
   • To capitalize on the agribusiness subsector investment potential, SLIEPA issued an investment guide and other information about these opportunities to investors, including via overseas missions led by Sierra Leone’s President Ernest Bai Koroma to Brazil, Nigeria, India, China, Kuwait.
   • SLIEPA organized the Sierra Leone Trade and Investment Forum in London in November 2009. The very successful, high-profile event, which had active participation of Former Prime Minister Tony Blair, investor George Soros, and Prince Charles, Prince of Wales, attracted over 600 registrants and succeeded in demonstrating that Sierra Leone is a peaceful, serious and pro-business country.

SUMMARY OF KEY RESULTS

SIERRA LEONE
government’s commitment to reform, and highlighting investment opportunities in the country’s strategic target sectors of tourism and agribusiness.

• Active investment leads have grown from fewer than the best

10. Top performer in West Africa

Impact:

• Recieved the 2010 Africa Investor Award for Tourism Promotion Agency (TPA) and Tourism Board (TB) of the Year: Sierra Leone Investment and Export Promotion Agency/ National Tourist Board

• Sierra Leone was rated one of the top 10 places to visit in 2009 by Lonely Planet (the world’s largest publisher of travel guides)

• Bradt Travel Guide: Sierra Leone was launched in 2009 (Sierra Leone’s first-ever travel guide)

8. Creating a Platform for Public–Private Dialogue:
The Sierra Leone Business Forum is now fully functional, independent organization, active in promoting issues related to tax modernization, financial sector reform, land rights, or other legal reforms, other important, business-oriented changes. Currently, the Forum is funded by grant monies provided under the RABI Program.

Impact:

• Held the Presidential Private Sector Forum in June 2008, the first broadly inclusive event to discuss and propose specific action on issues related to doing business in Sierra Leone.

• Effectively advocated for six laws or amendments to laws: Companies Act, Payment Systems Act, General Services Tax, Bankruptcy Law, Amendment to the General Law – Business Start-up, Registration of Businesses Law.

9. Improved Doing Business: 2010 ranking:

Sierra Leone improved in overall ranking by climbing seven places to 149. Consistent year-on-year improvement by moving 11 places in two years (previously 156 in DB 2009 and 160 in DB 2008)

Impact:

• 20 place improvement in the DB rankings, from 168 (of 175) in DB2008 to 148 (of 183) in DB2010

• Deemed the quickest and easiest place to start a business in West Africa (2009)

• One of the top five countries in Sub-Saharan Africa for investor protection (2009)

• Consistently ranks ahead of its neighbours in the Meso

River Union

10. Top performer in West Africa

Impact:

• Recieved the 2010 Africa Investor Award for Tourism Promotion Agency (TPA) and Tourism Board (TB) of the Year: Sierra Leone Investment and Export Promotion Agency/ National Tourist Board

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List of acronyms used in this report:

United Kingdom Department for International Development (DFID)
International Development Enterprise Associate (IDEA)
International Monetary Fund (IMF)
National Association of Social Security Insurance Trust (NASSIT)
Network of Development and Economic Reporters (NEDER)
National Revenue Authority (NRA)
Office of the Administrator and Registrar-General (OARG)
Sierra Leone Association of Journalists (SLAJ)
Sierra Leone Business Forum (SLBF)
Sierra Leone Indigenous Business Association (SLIBA)
Sierra Leone Investment and Export Promotion Agency (SLIEPA)