

Public-Private Dialogue

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PPD Initiative: The Sierra Leone Business Forum (SLBF)

1.0 Context:

The Sierra Leone business sector is principally characterized by informality which acts a major impediment to private sector development. At least 80% of businesses operate in the informal sector. The Foreign Investment Advisory Service (FIAS), at the request of the Government of Sierra Leone, undertook a *Survey of the Sources of Informal Economy Activity* in 2005. The key objective of the survey was to identify the main drivers of informality in Sierra Leone and thereby better inform policy decisions to attract businesses to the formal sector. For the purposes of the survey, informality was defined as the lack of compliance with legal and procedural requirements for business operation. Going by this definition, completely informal businesses do not comply with any government regulation or requirement, and are unknown to the government. Partially informal businesses comply with at least one government regulation, and formal businesses abide by all government regulations and requirements.

A study of reducing administrative barriers in Sierra Leone (FIAS, 2005) further revealed that in every aspect of the investment process (start-up, locating, and operating), most firms find it simpler and more cost effective to remain in the informal sector than to comply with licensing, tax, and other official requirements to start and operate a business. Reducing incentives for informality was therefore identified as a priority for Sierra Leone as it emerges from a post-conflict phase to a sustainable growth and development path.

In broad terms, therefore, informality and the accompanying administrative barriers to investment all account for Sierra Leone's poor ranking in the Doing Business Indicators. In 2007, its overall ranking in the *Ease of Doing Business* was 168 out of 175 countries and 160 out of 178 countries in 2008. Generally, Sierra Leone continues to lag behind in the pace of reforms to improve the business environment that attracts investment. The key challenge therefore is for Sierra Leone to adopt best practices in policy reforms that would attract investment as well as improve on its overall doing business ranking.

In view of the above, The Sierra Leone Government has continued to lay the groundwork for a conducive business climate that enables a dynamic and sustained growth of the economy through the active participation of a robust private sector. The government has leveraged on the RABI programme jointly supported by FIAS and DFID to address the key impediments to private sector development.

In March 2007, the SLBF was established as a PPD facility to contribute to the formalisation of the dialogue between the private sector and the government on issues relating to improving the business environment for private sector development. In addition to executing its targeted function of facilitating PPD, the broader objective of the SLBF is also to provide support to the

RABI programme to develop a broader PSD strategy and execute an effective communications strategy. To achieve these, the principal functions of the SLBF are as follows:

- (i) Identification of key issues and constraints through the existing working groups;
- (ii) Structuring of research and analysis jointly with PSD the programme and review of studies conducted;
- (iii) Formation, with appropriate TORs, additional issues-based working groups as deemed necessary;
- (iv) Facilitate consensus-building on issues to form part of the PSD strategy;
- (v) Vetting and periodic reviews of the PSD strategy;
- (vi) Capacity building for the private sector or business associations.
- (vii) Provide support for developing an M&E framework for the PSD programme.

Overall, the expected outcome or impact of the SLBF is the creation of an improved business environment with accelerated implementation of reforms, better investment response from the private sector, as well as an established PPD process across a wide range of issues.

2.0 Status of Partnership: List of Progress

At inception in March 2007, the SLBF mandate was to address issues under four Admin. Barriers workstreams. These are: (a) Business Start-up (b) Land and Planning (c) Tax and Customs (d) Investment Promotion. SLBF is also expected to support other DFID-funded initiatives such as the PSD programme and privatization.

2.01 SLBF Staffing and other Impediments:

There was slow progress with the commencement of the work of the SLBF secretariat due to the delay in the recruitment of key staff. The secretariat was initially designed to be staffed by the following: (a) National Coordinator/Programme Manager; (b) Economist/Policy Analyst; (c) Researcher; (d) Communications Officer; and (e) Administrative/Programme Assistant. The Programme Manager and Economist came on board in June and July 2007 respectively, while the Programme Assistant was recruited as an STT from April through December 2007. To-date, the vacancies for the other posts, including that of the Programme Assistant are yet to be filled. In short, the Secretariat has been manned by two key staff instead of its full complement of five as originally planned.

In addition to staffing problems, the period July to December 2007 was very challenging for the programme due to the activities leading to the August and September 2007 elections in Sierra Leone. Stakeholders in both Government and the private sector were variously engaged in the electioneering processes which greatly diverted the implementation of planned activities. Implementation was further delayed hampered by the change of government with new Ministers and Heads of various agencies and departments having to be briefed, and consensus re-established on the thrust of the SLBF during the last two quarters of 2007.

2.02 Progress with the Inception Priorities:

There has been limited progress with the re-establishment of the Admin. Barriers working groups due to the current status of the programme, and the emergence of new post-election priorities. However, the following have been achieved with each of the inception priorities mentioned above:

(a) Business Start-Up:

The priority was to complete the legislative changes in all three components- registration, licensing and residence & work permit procedures); start implementation planning; redesign of processes in the Office of the Administrator and Registrar Generals Office.

Since July 2007, Parliament adopted the Business Registration Act 2007 to reform the start-up procedures based on recommendations provided in the RABI programme. The new legislation includes provisions to streamline the business registration and licensing requirements and procedures. In this respect, the main changes are elimination of the Business License, abolishing of the mandatory use of a legal practitioner in company registration, elimination of the advance tax payment, and clarification that foreign exchange clearance from the Central Bank is not necessary. These efforts have reduced the time, number of steps and costs required to set up new businesses. At the same time, legislation on the merger of work and residence permits was passed. At the end of the implementation phase, the costs of business registration should be cut by at least 70%, the total registration time should not exceed 2-3 days. Government has recently issued a public notice to communicate these changes and efforts being made to implement them. (See newspaper cutting).

Additionally, there is outstanding work on licensing, including municipal and sectoral licences, which will continue under the next phase of the RABI project for which working groups will be established as appropriate.

(b) Tax and Customs:

The key issue in taxation as it relates to Admin. Barriers is the payment of advance corporation tax to the National Revenue Authority (NRA). As indicated above, businesses are no longer required to pay one-fourth of their predicted taxable income prior to registration. There is on-going dialogue with the Ministry of Finance (MOF) and NRA to effect specific legislative changes on advance tax payment and other related administrative issues. Work is also in progress on finding appropriate ideas for an SME tax regime, including a clear definition of what SMEs are in the Sierra Leonean Context. Work on a PSD-friendly VAT design is in progress under the auspices of IMF-FAD and Crown Agents.

On the customs element, measures have included sensitization of stakeholders on pending customs reforms, and endorsement of the computerized system for inspections and assessments. Cabinet has since approved the computerization strategy and capacity building for full implementation of the risk-based assessment programme is under way. Achievements so far include the marked simplification of procedures, involving reduction of documentation and duplication, and elimination of unnecessary steps. However, tax and customs remain one of the most trying and sensitive issues for the business community.

(c) Land and Planning

The focus is on completing the Land Planning Policy and the Freetown Master Plan by the third of 2007. This is still outstanding. Other issues include the development of a complete Cadastral e Pilot Project and a Communications Plan for on-going work in Land Planning

and Development. A Cabinet has already been prepared for approval. Additional land related issues such as registration, title and dispute resolution are currently emerging under the PSD project.

(d) Investment Promotion/SLIEPA:

The restructuring of the former investment promotion agency, Sierra Leone Export Development and Investment Corporation (SLEDIC) into the new agency, Sierra Leone Investment and Export Promotion Agency (SLIEPA) is almost complete. Key actions that have been taken include fulfilments of government obligations in relation to terminal benefits, conclusion of Parliamentary processes for the Investment and Export Promotion Bill, and the completion of the recruitment process for new staff.

2.03 Emerging Issues/Priorities and Milestones:

As the SLBF has evolved and managed through the transfer of power from one government to another, an opportunity has emerged to revisit the forum's priorities based on the consensus that is emerging between the private sector and the new government. As such the SLBF will be focus as follow

- *Tax and Customs* – Broaden the scope of work beyond advance corporation tax to include the wider tax modernisation efforts. Particular effort on VAT, and Customs Duties and Education
- *Financial Sector Reform* – Focus on access to banking, enhancing credit environment and product deepening
- *Land Reform* – Address issues pertaining to title and registration as well as dispute registration
- *Legislation* – Provide momentum to accelerate enactment of a number of laws already drafted that are relevant to both Land and Financial Sector Reform

3.0 Structure of the SLBF: List of Main Participants

The initial structure of the SLBF comprises:

- (a) The Steering Committee:** The policy making body co-chaired by the Minister of Trade and Chairman of the Chamber of Commerce, Industry and Agriculture. Membership is broad based and includes the Chair of the Parliamentary Legislative Committee, Minister of Finance, Attorney General and Minister of Justice, Donors (DFID), SLIEPA, Business Groups and Associations.
- (b) The Coordinating Secretariat:** Full complement of Staff includes the (i) Executive Director, (ii) Economist/Policy Analyst, (iii) Researcher, (iv) Communications Officer (v) Programme Assistant/Administrative Officer. All of these would be based in the Secretariat to work with stakeholders. To-date, only (i) and (ii) are in post as previously mentioned. Others include: (vi) The Administrative Barriers Coordinator and (vii) The PSD Strategy Coordinator. These are based in the Ministry of Trade and Industry under the supervision of the Minister. The PSD Strategy Coordinator has been removed in November 2007 and a replacement is being sought. The Administrative Barriers Coordinator is also poised to leave very soon. This has created some frustration in the Ministry of Trade and

Industry, thereby placing the PSD Strategy Project in jeopardy. To-date, the inception report on the PSDS project has not been produced; hence the SLBF has been constrained to coordinate the process with the private sector and other stakeholders.

- (c) **The Working Groups:** Four Working Groups were identified at inception as previously indicated. However, there is much flexibility to create new working groups based on the emerging issues. The working groups mainly comprise the private sector, representatives from the relevant Ministries, Departments and Agencies of Government, Civil Society and Donors. As mentioned earlier, it has been difficult to reconvene the pre-existing working groups, however new working groups to support financial sector and land reform are currently being constituted.
- (d) **Technical Committees:** These provide technical expertise for each of the relevant working groups. They include expert consultants, technical staff in line ministries, departments and agencies, and other interested private sector individuals.

Annex 1 shows list of main participants in the SLBF. It is worthy to note that the envisaged training in lobbying and advocacy skills for participants has not been undertaken.

4.0 Communications Strategy:

At inception, the communications programme focused on promoting entrepreneurship through:

- (i) Radio and print media campaign to raise awareness on the social and economic benefits of private sector development;
- (ii) Secondary messages around importance of improving the business environment through the elimination of the administrative barriers to investment;
- (iii) Positions forum and issues in neutral fashion on economic growth issues;
- (iv) Lays down the basis for other communications campaigns to publicize implementation of reforms and new procedures.

It is important to note that the greatest handicap of the SLBF is the lack of capacity to implement the above strategies. In addition to the absence of a Communications Officer in post, it has been difficult to implement other proposed alternatives such as having a Communications Expert from PEP Africa to service the communication needs of the forum. This poses one of the greatest challenges. However, on its part the forum has been engaged in radio discussion programmes, seminars and contacts with media practitioners to lay the foundation for campaigns on various trade and business development issues in Sierra Leone. It is intended that media houses that have been covering business development issues be engaged formally to publicize the activities and achievements of the forum. (See newspaper cuttings on some of the wide-ranging issues covered by the media).

5.0 Gender Composition of Participants

A detailed analysis is yet to be done on the gender classification of participants. However, the informality survey of 2005 reveals that at least 70% of businesses operated in the informal are owned by women. They are very well represented in the Petty Traders Association and almost 100% in the National Traders Association. In the formal sector, it is clearly evident that representation is skewed in favour of men, particularly in the professional business associations such as banking, insurance, accountancy, engineering etc.

The key issues facing the informal sector are homogenous across gender and they range from business registration, access to finance, and the broader issues of financial sector reform, legal and regulatory reforms for an investment friendly business environment, which are also of concern to the formal private sector.

There is no strategy in place to address specific issues affecting women as the problems in the business sector affect both men and women equally. The business policies and regulations do not discriminate against any particular group and women are accorded equal opportunity to air their views and proffer solutions to the problems at hand. The PPD is committed to addressing gender sensitive issues as they emerge in the forum.

6.0 Brief Profile of Authors:

(a) Oluniyi Robbin-Coker: Executive Director, SLBF: Prior to joining the IFC to support the SLBF program, Niyi spent 7 years at Citigroup New York in Corporate and Consumer Banking. He has also worked as an entrepreneur in Sierra Leone and the UK and has an MBA from the Cranfield School of Management.

(b)

(c) Ibrahim S. Kamara, Economist, SLBF: A career economist with about 20 years work experience. Started career as University Lecturer and later joined the public sector as consultant in the Ministry of Finance working on the Public Debt Management and Privatization Programmes. He served as Macroeconomist in a multi-disciplinary team for the formulation of Sierra Leone's long-term national vision. He joined UNDP as Programme Officer in the Poverty and Human Development in which capacity he assisted in the preparation of Sierra Leone's PRSP, National MDGs report. Shortly before joining SLBF he was seconded from UNDP to assist government in the Capacity building Programme in District-Based Planning under the broader national decentralization programme.