

[Recommendation for Technical and Economic Development Cooperation between Korea and Sierra Leone

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BACKGROUND AND PURPOSE

This research report is based on technical consultations, undertaken during a study visit to Sierra Leone in December 2011 by the author and Dr. Jai-Joon Hur, Senior Researcher at the Korea Labour Institute (KLI), with key policy-makers and administrators in the public and private sectors, including universities and training institutions, and representatives of civil society organisations¹. The main purpose of the study visit was to obtain and analyse information and data on current socio-economic development trends, patterns and challenges in the country, focusing in particular on the labour market and employment situation, and to assess future growth and sustainable development prospects. The study visit was also intended to serve as a basis to explore possibilities for the Government of South Korea to contribute, as an international development partner of the Government of Sierra Leone, through the provision of advisory services and implementation of technical cooperation projects, to the wider development process in the country. This objective is consistent with the pledge made by the President of South Korea, as host of the G20 Summit in Seoul in November 2010, and other world leaders, to “work in partnerships with other developing countries, and low income countries (LICs) in particular, to help them build capacity to achieve and maximise their growth potential” [*Seoul Development Consensus for Shared Growth*]². The G20 Seoul Action Plan endorsed by the G20 leaders in Seoul (G20, 2010) represents a blueprint for economic development cooperation between the Governments of South Korea and Sierra Leone. Particularly significant for Sierra Leone is the relevance of the much admired Korean development experience of rapid transformation from a low-income developing

¹ See Annex List of key Persons Contacted.

² The Seoul Development Consensus focuses on concrete measures to “promote resilience, job creation and mitigate risks for development”, and it complements the commitment of world leaders at the UN in 2000 to achieve the Millennium Development Goals (MDGs) by 2015. The ‘Multi-Year Action Plan’ annexed to the Seoul Consensus is based on a number of core principles including the provision of financial support for reduction of poverty in LICs; the critical role of the private sector to create jobs and wealth; improvement in the development of employable skills matched to employers and labour market needs; respect for national ownership of a country’s policies; and improvement in income security for all.

country into a highly developed economy and a global industrial giant within the relatively short period of a generation.

The preparation of this research report has also benefited from the author's involvement as the lead international consultant engaged by the German international development assistance programme (GIZ) to assist the Government of Sierra Leone in drafting a National Employment Policy (September-December 2011), and his role as an adviser to the technical secretariat of the Sierra Leone Conference on Development and Transformation (SLCDT) in January 2012 (SLCDT, 2012c). The latter was launched by H.E. the President of Sierra Leone as an initiative to mark the 50th anniversary of the country's independence in April 2011, with the specific purpose of rethinking the country's development strategy with a view to transforming the economy into middle-income country status in the next 25 years (SLCDT, 2012a). During the study visit, Dr. Hur was invited by the Coordinator of the SLCDT and Adviser to the President on Development Strategy and Policy, Mr. Herbert M'cleod, to make a presentation to members of the technical secretariat and steering committee of the SLCDT on the relevance of the development experience of the Republic of Korea for the economic development agenda of Sierra Leone.

The report is structured as follows. It begins with an overview of the **macroeconomic and social framework** of the Sierra Leone economy, highlighting key elements of the framework in terms of the broad objectives of sustainable economic growth and social development and providing information on the main macroeconomic indicators and mechanisms for the coordination of overall development efforts. This is followed by a summary of the country's **industrial structure, international investment and external trade characteristics**. The next section presents the main report, which is an analysis of the **labour market and employment situation**, including suggestions for programmatic interventions for creating and improving access to productive and adequately remunerative employment opportunities, especially for young Sierra Leoneans. The report ends with recommendations in the form of an 'Action Plan' indicating **specific areas for research collaboration and future economic development cooperation** between relevant institutions and governmental structures in South Korea and Sierra Leone. Initiatives proposed in the Action Plan should contribute toward achieving national development goals and objectives and, in

this regard, particular attention will be paid to the diversification of sources of development assistance and mobilization of non-aid resources, as well as to how foreign aid and non-aid policies interact with national development goals and objectives. The focus will be on achievements related to economic growth and social progress required for transforming the economy into a middle-income country status in the next 25 years³.

MACROECONOMIC AND SOCIAL FRAMEWORK

Sierra Leone came out of a brutal 11-year civil conflict and rebel war in 2002 which inflicted significant damages to the economy and growth potential and to livelihoods and well-being of the majority of the country's population. Since the end of the war in 2002, Sierra Leone has undergone two democratic elections and a smooth transfer of power between the country's main political parties in 2007. Successive governments have committed themselves to re-establishing conditions for the resumption of economic growth and social development (GOSL, 2005; GOSL, 2008). Economic growth has averaged approximately 7 percent annually over the past five years, and under its current President, Dr. Ernest Bai Koroma, who took office in September 2007, Sierra Leone may be on the verge of an economic transformation. Under the banner of the President's 'Agenda for Change' (2008-2012), and with the support of the United Nations system and bilateral donor agencies, the country has embarked on a reform agenda which emphasizes private sector development and the promotion of foreign direct investment. The implementation of the 'Agenda for Change' is to be followed by the 'Agenda for Prosperity' (2013-2017) which should provide "a defining path and solid foundation" for attaining the President's vision⁴.

While Sierra Leone has escaped the threat posed by the war of becoming a failed state, it still remains fragile and poor: nearly three-quarters of the population live below the

³ As indicated in keynote address delivered by the President at the opening of the Sierra Leone Conference on Development and Transformation in Freetown on 31 January 2012 (SLCDT, 2012a).

⁴ "Sierra Leone: Third Generation Poverty Reduction Strategy Paper". Draft Discussion Paper, mimeo SLCDT secretariat, January 2012.

World Bank designated poverty line of 1.25 US dollars a day, and in the last two years the country has been ranked near the bottom of the UNDP Human Development Index, at 180th out of 187. It also has one of the highest maternal and under-five mortality rates in the world. Sierra Leone's small domestic market, undiversified economic structure and lax economic management and governance, further compounded by poor infrastructure and a largely unskilled labour force, continue to serve as drawbacks on its potential to realize economic and social benefits from its rich natural resource endowments and privileged maritime geographical position on the west coast of Africa.

The economy relies principally on export of minerals (diamonds, iron-ore, gold, bauxite, rutile, platinum, etc.), and as such the mining sector has attracted the bulk of foreign direct investment in the post-civil war period. Adjusted for inflation, Sierra Leone's real Gross Domestic Product (GDP) grew at an annual average of over 7 percent in absolute terms between 2003 and 2007, which declined to an annual of 4 percent in 2008/ 2009 partly as a result of the adverse effect of the global economic downturn on mineral export prices, particularly diamonds. However, the last two years have seen a revival of the upward trend in the growth rate with GDP increasing to nearly 5 percent in 2010 and further to 6 percent in 2011.

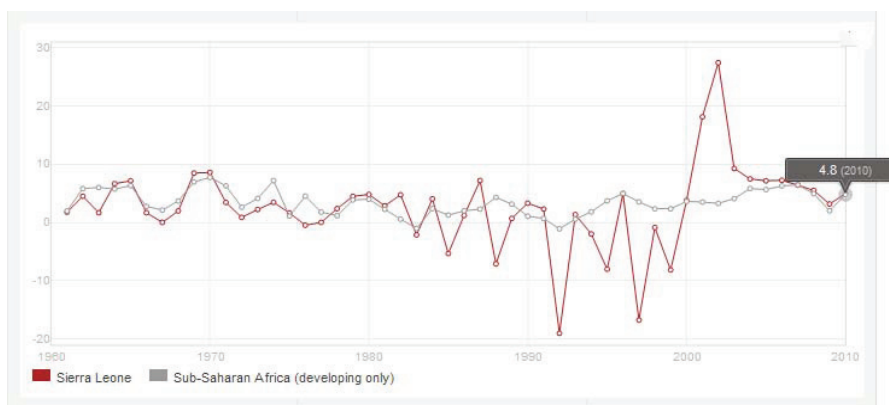


Figure 1: GDP growth trend, 1960 – 2010 (annual %) Note: Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. Source: World Bank national accounts data, and OECD National Accounts data files.

Despite the economic recovery since the end of hostilities, real GDP per capita in 2010 (about US\$ 340 at current prices) remains below the 1980 level. The widening gap between the growth of GDP and of GDP per capita reflects a rapid post-conflict increase in population which is related in particular to the return of the estimated half a million refugees (about a tenth of the total population) who had fled to neighbouring countries to avoid the fighting. It should be noted, from the perspective of job creation, that high growth rates since the end of the war have not been translated into a corresponding increase in productive and remunerative employment opportunities. It can be argued that the strong economic growth performance experienced by Sierra Leone in recent years has not been *'inclusive'* in character, in terms of resulting in a wider access to socio-economic opportunities for a broader segment of the population and the provinces. Consequently, indications are that there has been very limited progress on social issues (i.e. poverty reduction, education and health).

Table 1: Key Economic and Social Indicators [2000 -2010]

Data Profile					
	2000	2005	2008	2009	2010
World view					
Population, total (millions)	6,117.8 1	6,503.5 9	6,737.3 8	6,816.0 1	6,8 94.59
GNI per capita, PPP (current international \$)	6,869	8,764	10,630	10,564	11, 069
Economy					
GDP (current US\$) (billions)	32,249. 68	45,659. 71	61,290. 91	58,074. 09	63, 256.9 7
GDP growth (annual %)	4.3	3.5	1.4	-2.3	4.2
Agriculture, value added (% of GDP)	4	3	3	3	..
Industry, value added (% of GDP)	29	28	27	25	..
Services, etc., value added (% of GDP)	68	69	70	72	..
Exports of goods and services (% of GDP)	25	27	30	25	28
Imports of goods and services (% of GDP)	25	27	30	25	28
Gross capital formation (% of GDP)	22	22	22	19	20

Revenue, excluding grants (% of GDP)	..	25.0	25.1	23.8	..
Cash surplus/deficit (% of GDP)	..	-1.8	-2.8	-7.0	..
Global links					
Merchandise trade (% of GDP)	40.7	46.7	53.2	43.4	47.7
Workers' remittances and compensation of employees, received (current US\$) (millions)	135,501	276,461	455,718	429,375	449,197
Foreign direct investment, net inflows (BoP, current US\$) (millions)	1,408,212	1,211,866	1,955,875	1,385,682	1,430,438
Net official development assistance and official aid received (current US\$) (millions)	57,753	108,650	127,916	126,968	131,087

Source: World Development Indicators database

While agriculture provides a livelihood for over three-quarters of the country's labour force, most of those employed in the sector are engaged in low-productivity subsistence agriculture and in cash crop farming as unpaid family workers or with very little income. The lack of value-addition, for instance through processing, to agricultural produce both for export and the domestic market limits in practice though not in theory the growth and job creation potential of the sector. Non-farm rural self-employment (forestry products and handicrafts) similarly yields low remuneration mainly because of limited market demands, including the lack of a sizeable tourism sector. Nonetheless, given Sierra Leone's rich soil and plentiful rainfall, agriculture could again become the mainstay of the economy and main source of a decent livelihood for the majority of the country's population. Indeed, improvements in food and crop production and productivity levels in agriculture are envisaged from the 'Small-holder Commercialisation Programme' (SCP) launched by the present government, and if successful, could help boost export earnings from the agricultural sector as well as move the country towards achieving domestic food security⁵. The SCP could also contribute to the revitalization of rural development.

⁵ Before the civil war, Sierra Leone was nearly self-sufficient in rice production, its main staple.

Export Potential for Key Agricultural Crops by 2015

Crop/Product	Current Exports (tons)	Exports at Producer Price (US\$mil.)	Potential Exports (tons)	Gain in Revenue (US\$ mil.)
Cocoa	6,500	4.0	30,000	14.8
Cashew	0	0	10,000	7.3
Palm Oil	n.a.	n.a.	5,000	3.7
Palm Kernel Oil	0	0	5,000	3.1
Gari	10,000	3.3	20,000	3.3
Ginger	0	0	1,000	1.0
Total				33

Table 1: Export Potential for Key Agricultural Crops by 2015.

Source: UNDP, "Sierra Leone DTIS-A Diagnostic Trade Integration Study: Adding Value through Trade for Poverty Reduction."

Manufacturing as an economic sector in Sierra Leone has never been buoyant or contributed much to GDP growth and employment, as is the case in much of sub-Saharan Africa (SSA). In the specific case of Sierra Leone, import-substitution strategies in the immediate post-independence era and even later have hampered the establishment of a significant manufacturing sector in the context of the country's quest for industrialisation. More recently, faced with competitive imports in the domestic market – due largely to the impact of globalization and the liberalization of international trade – and the constraints posed by poor infrastructure and unskilled labour, investment in manufacturing in Sierra Leone has been slow and remained largely insignificant.

To counter this stagnation, a 'Special Economic Zone' established near the capital, Freetown, in 2011, aims to create additional wage jobs through the expansion of processing and manufacturing activities [see Annex 2]. The government has also taken decisive steps to create a business-friendly policy environment as a means of attracting investments in manufacturing. In 2010, Sierra Leone was ranked among the top 10 'reformers' by the International Finance Corporation of the World Bank Group

in its annual global index on the 'ease of doing business' (World Bank/IFC 2010). Planned improvements in infrastructure, especially energy and water, and upgrading of skills (GOSL, 2008; GOSL, 2009b) should further boost to the country's capacity to develop its manufacturing sector, which given its location between continental inroads and the coast, could act as a regional boon and establish it as an import-export hub.

It is obvious that Sierra Leone would need to sustain the high growth rates experienced in the immediate post-civil war period in order provide the basis for sustainable economic and social development. This requires **macroeconomic stability**, without which the government will not be able to perform key development-oriented functions (e.g. taxation and revenue collection, investment in vital infrastructure, provision of basic social services) on an ongoing basis; functions which simultaneously depend upon and support growth growth. For example, poor economic management could result in excessive fiscal deficits which eventually create undue government indebtedness and balance of payments difficulties. Overly expansionary monetary policy could foster inflation and economic instability, which would create uncertainty for businesses and erode confidence and willingness to invest. At the same time, certain measures to promote macroeconomic stability could produce austerity and adverse shocks and, in turn, hurt vulnerable groups in the population as well as inhibit job creation that is essential for poverty reduction in an economy like Sierra Leone's (e.g. as in evidence currently in Greece). The pursuit of macroeconomic stability in the context of future economic strategies and reform plans in Sierra Leone should take into account the importance of simultaneously generating additional employment and income in the growth process. In other words, while macroeconomic stability is necessary, it is not a sufficient condition (alone) for economic growth and social progress; other elements of the economic and social framework, including targeted economic diversification, as well as educational and health investments, also play critical roles in the quest for sustainable development and transformation of the Sierra Leone economy to a middle-income country.

INDUSTRIAL STRUCTURE, INTERNATIONAL TRADE AND INVESTMENT CHARACTERISTICS

Industrial activities in Sierra Leone are concentrated in mining, and to a lesser degree in construction and a very embryonic manufacturing sector. As already noted, Sierra Leone possesses a range of valuable mineral resources, including recently discovered offshore oil and gas deposits; those which are currently exploited account for between a quarter and a third of GDP annually. The closure of the bauxite and rutile mines during the civil conflict, and the high incidence of illicit diamond mining and smuggling diminished the importance of mining in the immediate post- civil war era. More recently, there has been a resurgence of mining activities, including foreign investments in the discovery and exploration of new high grade iron-ore deposits in the north of the country, estimated at as much as 10 billion tonnes – the largest such deposits in Africa and the third largest worldwide. In addition, as mentioned above, Sierra Leone has significant deposits of gold, chromite, bauxite and titanium ore, and the country may now also be on the verge of becoming a hydrocarbon producer, all of which should enhance the industrial base of the economy.

However, industrial production outside mining is constrained by the limited use of technology and technical experience, poor infrastructure and a skills deficit. Also, efforts to stimulate private sector investment are still affected by the legacy of the 11-year civil conflict which seriously affected capital formation, as manifested by capital flight and the limited capacity of Sierra Leoneans to participate in investment activities. Furthermore, poor infrastructure and lack of skilled and semi-skilled workers, as well as import tariffs, taxes on fuel, sales tax and miscellaneous fees combined with high electricity costs, have made the cost of setting up businesses and producing goods in Sierra Leone for both export and domestic consumption relatively high as compared to other developing countries; this in turn shifts business focus away from manufacturing and thereby inhibits capacity to take advantage of the opportunities created by globalization. This might be changing: it is clear then that the government should focus attention on interventions which will lower the cost of doing business in the country, including infrastructure improvements in the energy sector, particularly electricity supply, and road and transport networks; reducing the rate of

corporate tax which remains relatively high at 30 percent; and extending the timeframe for tariff concession and sales, as well as legislating income tax exemptions to new investors in key growth sectors; and removing restrictions on business and professional services and activities that adversely affect investment flows from diverse sources. In general, Sierra Leone should seek to improve the effectiveness and attractiveness of its fiscal regime in order to be in line and competitive with other regional economies, such as Ghana, Cote d'Ivoire, Liberia and Guinea. It should also tap into this regional market and its diaspora networks.

There is an overall lack of linkages between foreign direct investments and domestic businesses; the relative underdevelopment of local industrial and services sectors means that the level of activity of local firms providing services to foreign firms is miniscule, and that such connections remain at best tenuous. The outsourcing of certain services, such as transport, accounting and auditing, and servicing and repairing of equipment to local businesses by the large foreign the mining companies could be encouraged as a means of creating more jobs and boosting growth of local businesses. Indeed, steps have been taken by government in this direction through the drafting of a 'Local Content Policy' in late 2011 (GOSL, 2011c). Even if there is willingness on the part of foreign firms to engage local businesses as service providers and sub-contractors, it will be necessary for the public sector to invest to improve the capacity and efficiency of local firms to make this option more attractive than outsourcing to firms outside the country. One of the most cited problems preventing linkages between foreign and local firms is supply capacity: many local businesses are small and do not have the capacity either in terms of manpower and equipment to supply foreign firms; another concern is the informality of the local business sector which means that many firms operate without formal registration and legal identity and makes them unattractive to foreign firms as suppliers and partners. Particular attention should therefore be paid, as part of government's effort to develop a strong and competitive private sector, to build the capacity and to regulate local firms to enable them to in modern sector investment and development and supply chain activities.

Furthermore, though currently underdeveloped, Sierra Leone has considerable potential as a tourist destination, based on the country's diverse landscape of long stretches of white sandy beaches on a calm ocean, mountains and lush vegetation ranging from coastal wetlands to tropical rain forests with a variety of fauna and wildlife. The emergence of a fledging tourism industry was halted by the war, but the sector has been showing signs of recovery and has recently attracted foreign and domestic investments in new hotels, including major international chains, as well as eco- and adventure tourism. The win-win opportunity of tourism in Sierra Leone is enormous, particularly in terms of foreign exchange earnings and the creation of additional local jobs and incomes, provided the country can improve its overall performance in the sector. This requires the country to develop and maintain its infrastructure, mainly energy, transportation and water, and to teach and train a skilled and disciplined workforce to service the sector.

Sierra Leone does not yet appear to be benefiting from the liberalization of its trade regime due to lack of economic competitiveness and supply side restrictions, and also relatively high transaction costs. Outside the control of the government are non-tariff barriers such as those that apply to the exports of processed commodities from Africa to the EU, which hamper ostensible opportunities to harness the full growth and employment potentials of an open trade regime. In addition, the country has traditionally recorded a trade deficit as a result of its reliance on imports, particularly food and fuel: the rising costs of these two commodities since late 2008 have been a major driver of the widening trade deficit. Ironically, the trade deficit has also increased in recent years due to efforts to reactivate the mining sector and thereby increase export earnings, resulting in an increase in the imports of manufactured goods and machinery. Both of these limited might, however, prove issues of the past: if Sierra Leone develops its emerging oil and manufacturing supply chain sectors.

In order to improve and sustain a healthy external trade balance, Sierra Leone will have to diversify its exports from mainly on minerals and focus on supply-chain development and the potential of the agriculture sector. Based on the country's

natural resource (agriculture and fisheries) endowment and its abundance of unskilled and low skilled labour, adding value to primary commodities for export through agro-processing and agribusiness would benefit both trade and employment. Significantly, growers and producers should be encouraged to trade goods and professional services within the West African sub-region and across the continent. This will depend upon local, regional and international public and private sectors action taken to improve and expand cross-border trade, especially by small traders, many of whom are women, by simplifying border procedures and respecting existing sub-regional ECOWAS (Economic Community of West African States) trade and migration protocols; supporting trader associations; improving access to finance and flow of information on market opportunities; and assisting in the spread of new technologies, such as cross-border mobile banking. Trade expansion policies should be buttressed by financial policies that specifically foster entrepreneurship and promote the development of indigenous micro and small and medium enterprises (SME). This line of thinking is consistent with the wider aspiration and alignment of the African Union (AU) to promote trade and regional integration at the continental level.

Although efforts have recently been made by the Sierra Leonean government to create a more conducive environment for investment and improve access to investment incentives⁶, Sierra Leone lags behind most African countries in terms of the adoption of international investment treaties. It has so far signed only three bilateral investment treaties (with the UK, Germany, and China). Instead of negotiating bilateral investment and trade agreements with countries that have the potential to become important sources of foreign direct investment (FDI), the current policy is a tendency to seek FDI from a wide range of different sources in a rather unplanned and

⁶ The Investment Promotion Act of 2004 provided for the establishment of the Sierra Leone Investment and Export Promotion Agency (SLIEPA) in 2007 to promote investment and export development and enhance business facilitation. The mission of SLIEPA focuses on providing personalized services and information to investors and exporters, including organising business forums at home and abroad for strategic promotion of FDI. A 'Private Sector Development Strategy' has also been developed by the Ministry of Trade and Industry in 2009 with the stated aim of developing a vibrant private sector to create wealth and sustainable formal sector (GOSL, 2011a).

incoherent manner in relation to developmental needs and growth objectives. Though the Investment Promotion Act (IPA) of 2004 provides the basic legal regime for investment, and the legislation states that any investor, domestic or foreign, may invest in any legitimate form of business; what was missing initially from the investment framework as a necessary complement are investment provisions that reflect Sierra Leone's development priorities and highlight opportunities to render in the country a favourable and internationally competitive investment climate. More recently, government has taken steps to address this shortcoming in the IPA by enacting other laws with specific provisions to promote foreign investment in targeted sectors such as tourism, fisheries, mining and minerals, as well as banks and non-bank financial institutions. Government should now spearhead efforts to attract investment and improve trade relations with the emerging economies, such as the BRICS and South Korea, and enhance South-South development cooperation.

LABOUR MARKET AND EMPLOYMENT SITUATION

Sierra Leone's total population is currently estimated at just under 6 million and growing at an average of about 3 percent per annum. In 2004, when the last official census was undertaken (SSL, 2005b), the labour force was estimated at 2.6 million; given the rather high annual rate of population growth, it has been estimated that this number must have increased significantly since 2004 (Weeks, 2010; Peeters et al, 2009).

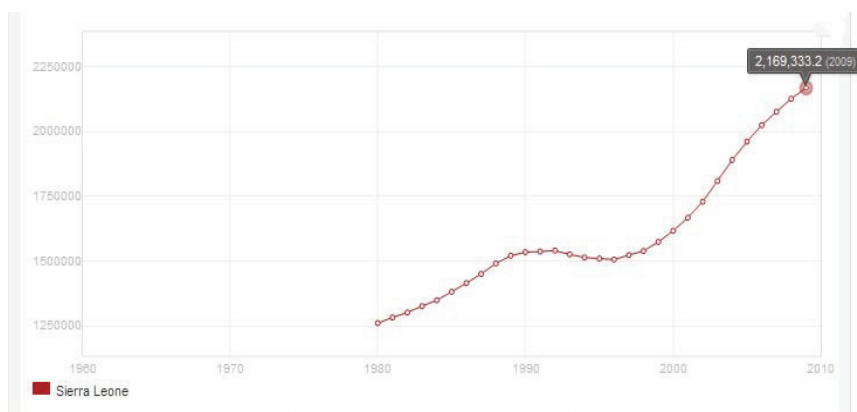


Figure 2: Labour Force Growth. Source: International Labour Organization, using World Bank population estimates.)

INSERT here Table on Labour Force Characteristics and/or Employment Status of the Population [based on 2004 census data or later estimates from ILO]

Less than 15 percent of the employed labour force in Sierra Leone is in regular wage employment. As in most other developing countries with a large informal economy, the majority of those recorded as being in 'employment' are self-employed, and generally in low-productivity work, mostly subsistence and smallholder agriculture and a variety of low-earning and precarious urban informal sector activities in the retail and services sectors.

Employment Status	% For ages 15-34Yrs (Youth Employment)		
	Both Sexes	Male	Female
Paid Employee	4	6	2
Self Employed	45	45	44
Unpaid Family Worker	11	10	13
Looking For Work	3	4	2
Not Working, not Looking for Work	3	3	3
Household Work	14	3	23
Student	20	28	13

Source: 2004 Population and Housing Census

Hence, the main feature of the general employment problem in Sierra Leone is ‘*underemployment*’, in the sense of doing work of extremely low productivity and earning very low income – which constitutes inefficient use of labour- rather than open unemployment (GOSL, 2012). In the absence of state-provided unemployment benefits, those who are unable to find wage employment therefore and without other sources of income and family support, are obliged to eke out a living from low productivity and low work in the informal economy. This fairly large group in the labour force, which cannot afford to remain idle, constitutes what the ILO has described as the ‘working poor’ (ILO 2011a; ILO, 2011b). It should also be noted that many workers in regular wage employment receive incomes that provide little relief from poverty because of outdated minimum wage levels that are linked to the current cost of living. The lack of job opportunity, particularly productive and adequate remunerative work, represents a major development challenge, which has to be addressed through reforms in education and training policies. It is a challenge amplified by the problem of youth unemployment. According to information provided to the author by Statistics Sierra Leone, nearly half of the country’s total population are under 15 years and about a third in the 15- 35 age bracket (the official definition of youth in Sierra Leone). However, based on extrapolation of data obtained from the Sierra Leone Integrated Household Survey 2003-2004 (SSL, 2005a), it is estimated that about 800,000 young people aged 15-25 are unemployed and underemployed or employed without remuneration. Given the demographic structure of the labour force and the prevailing economic growth path, the challenge of youth employment should

be addressed as a priority of the general problem of unemployment and underemployment and indeed a major concern in national development, both from an economic growth and a security perspective⁷. It also reflects the need for an industrial policy that precipitates skills development and the efficient utilization of human capital. The positive experience of South Korea in this regard should be particularly relevant to meeting this development challenge; it is therefore recommended that the proposed development cooperation programme between South Korea and Sierra Leone should give priority to promoting Technical and Vocational Education and Training (TVET) as an integral part of the overall education system. More importantly, the execution of TVET should be closely linked to current and future employment demand in the labour market – and take into account gender balance.

Gender and the economy

Gender gaps and imbalances - of social and cultural origins and due to disparities in access to socio-economic opportunities, including education - between males and females in the population have contributed to the particular vulnerability of women in the labour market. Typically, more men have access to paid employment than women, and women, though accounting for more than half of the total population, earn disproportionately less in paid employment than do men. In general, women's participation in the labour force tends to be concentrated in unpaid household and family work and low-earning informal sector work, such as in rural subsistence agriculture and petty trading. Since men have traditionally dominated public and private sector wage employment, female unemployment rates tend to be much higher than those of males. These gender disparities in employment need to be addressed through interventions designed to combat low literacy rates among girls and confront traditional societal and cultural values and practices that discriminate against girls and women and inhibit equal access to socio-economic opportunities. In the wider context of national development planning, greater recognition should be given to the potential of the female workforce through labour market policy interventions

⁷ The Sierra Leone civil war was characterised by the participation of a significantly large proportion of uneducated, unemployed and disaffected rural youth who became 'rebel fighters'.

specifically designed to give girls and women greater access to technical, vocational and entrepreneurship training and to employment opportunities. Sustained increase in female participation in the labour force over time should therefore be associated with the industrialisation process and transition of economy into a middle-income country status. This is an area that could benefit from international development cooperation between South Korea and Sierra Leone, both in terms of policy advice and the provision technical assistance in human resource development.

Similar to women's precarious employment is the status of the disabled, particularly those maimed during the civil war. These, particularly the war injured and amputees, are highly vulnerable in the labour market; their disabilities leave them with very little prospect of securing gainful employment or assuming socio-economic opportunities. The Sierra Leonean Government is committed, under the terms of the International Convention on the Rights of Persons with Disabilities which it ratified in October 2010, to strengthen and extend comprehensive rehabilitation services to disabled persons. In principle, this commitment implies the integration of the disabled in the labour market and an open and non-discriminatory work environment. What is required in practice is for the vulnerability but potential of disabled persons in the labour force to be formally recognized in law and addressed within the framework of the country's social protection system including the provision of social security benefits and livelihood programmes.

Employment policy challenges

Given the prevailing high levels of unemployment and underemployment in Sierra Leone, particularly among young people, *the creation of additional productive and adequately remunerative employment opportunities from current and future economic growth must be a priority in national development.* More than any other social or economic achievement, growth in employment will contribute to increased personal security; to tapping new opportunities for investment in human and financial capital; to improving equity, including gender equality; and to strengthening social integration.

The main challenges underlying the general problem of high unemployment and underemployment in Sierra Leone can be summarised as follows:

- A formal economy that is creating too few wage employment opportunities.
- Structural problems, mainly export concentration on few minerals and weak human resource base which constrain both economic diversification and industrial development.
- A private sector that is weak, underdeveloped and uncompetitive and, hence, has limited capacity to generate productive and remunerative employment.
- High proportion of the labour with no employable skills, especially technical and entrepreneurial, and little or no formal education.
- An education and training system that produces workers with limited skills and knowledge demanded by the labour market, thus leading to a mismatch between skills and jobs affecting especially young people.
- Low quality of many jobs, in terms of pay, occupational health and safety and working conditions, or the lack of what the ILO refers to as 'decent work'.
- Gender inequalities in access to education and training which limit female participation in productive employment and the labour market.

High unemployment and underemployment in Sierra Leone can be traced to *a combination of structural problems in the economy and imbalances and supply-side labour market rigidities pertaining to the education and training system*, which constrain the potential of socio-economic system to secure optimal employment growth. Binding constraints on employment creation have to be overcome in order to achieve a fuller and more efficient utilisation of the country's human resource capacity in the context of economic growth and structural transformation of the economy. In the realm of macroeconomic policy, there is a need to adequately mainstream employment concerns into relevant development policies and programmes and strengthen linkages between different economic sectors to optimize

employment gains. In the area of labour market policy, judicious combinations of both *proactive* and *reactive* policies are required to achieve a balance between labour supply and demand: proactive labour market policies will make it possible to improve the quality of labour supply (through education and training) and increase the demand for labour (in response to economic growth); reactive policies will be useful for addressing unfavourable labour market outcomes which limit the employment-intensiveness of economic growth.

Employment promotion in Sierra Leone is seen by the government as a socio-economic imperative as well as a political goal. The present government attaches high priority to expanding employment and income opportunities, especially for youth (GOSL, 2008; SLCDT, 2012a; GOSL, 2012). However, this is a complex task and the creation of new productive and remunerative jobs is not likely to be a ‘quick fix’ action. Yet there are windows of opportunity within the overall development process, and it is for the government and its policy-makers to make a conscious choice about the degree of emphasis that is given to growth of employment as a major development objective in its own right. This implies a political willingness on the part of the government to take action to halt the prevailing tendency towards “jobless growth”, and recognition by government that it is no longer sufficient to assume that robust economic growth will automatically result in creation of additional employment opportunities. As the case in point, in Sierra Leone, economic recovery and strong growth after the civil war have certainly not been translated to significant gains in productive and remunerative employment opportunities. Specific policy interventions are required to change the present path and pattern of economic growth and modify economic and social policies and structures in favour of more employment-oriented models and outcomes.

Current initiatives to respond to employment challenges

Since the end of the civil war, a number of training-cum-employment initiatives have been launched by the government and its international development partners to address youth unemployment and underemployment (GOSL, 2003; World Bank and ENCISS, 2007; GOSL, 2008; Weeks, 2010; SLCDT, 2012a). Most of these have focused

on the reintegration of ex-combatants and displaced persons since youth employment and empowerment is seen by government and the international community as crucial to the post-conflict economic recovery process and peace-building efforts. One such major youth initiative is the Youth Employment Scheme (YES), funded by the World Bank and implemented by the National Commission for Social Action (NaCSA), which includes cash-for-work labour intensive public works and an agribusiness entrepreneurship training components. The government also set up a National Youth Commission (NAYCOM) in 2011 to serve as a vehicle for harnessing the creativity and ingenuity of youth for national development. NAYCOM has also been charged with the responsibility to launch and administer a national youth service programme that will allow young people to gain valuable practical work experience as part of their transition from education to the world of work.

The 'Smallholder Commercialisation Programme' (SCP), which is managed by the Ministry of Agriculture, Forestry and Food Security (MAFFS), represents an effort by the government to raise the productivity of labour and income levels for the large segment of the country's workforce section that earns a livelihood from agriculture, and also as a way of encouraging young people to stay and earn a living in rural communities. The SCP is also designed to stimulate further employment growth outside farming by creating a demand for marketing and industrial services needed at different stages of the agricultural value chain. In addition, the programme is envisaged to become a promoter of local economic development especially in districts that were badly affected by the civil conflict.

Towards a strategy for employment promotion

On the assumption that the Sierra Leonean economy, boosted by increased mineral exports, will continue to record a strong growth performance, the main thrust of any employment strategy should be to significantly increase the '*employment content*' of GDP growth. This implies conscious and vigorous policy and programme responses at both macroeconomic and sectoral levels to ensure that as much employment as

possible is generated from economic growth in the context of the national development.

For this to happen, certain basic *principles and guidelines* of economic management and development planning should be adhered to:

- Employment promotion is mainstreamed in the overall process of national development and economic transformation [an *enabling macroeconomic policy environment*].
- The development of the private sector is recognised and pursued as crucial for formal sector employment creation [a *favourable business climate*].
- The social partners of government (employers' and workers' organisations) and civil society are consulted and involved in employment policy formulation and implementation [*social dialogue*].
- The international development partners are engaged constructively by government for the mobilisation of financial and technical resources to increase and sustain productive employment opportunities [*development cooperation*].

With respect to *policy interventions*, these should seek to stimulate and transform the country's economic growth path towards the creation of productive and adequately remunerated employment opportunities on a sustainable basis. Four *pathways* are identified as relevant to this process of economic transformation:

- *Macroeconomic policy framework*: This concerns the link between economic growth and employment creation, and focuses on the role of the state as the framer and manager of macroeconomic policies that have implications for employment; the relevant policy areas include monetary, fiscal, investment and external trade.
- *Labour market policies and human resource development strategy*: These should derive from analysis of the labour market, mainly in terms of the need for a

balance between labour supply and demand, and linked to the urgent need to address skills and competency gaps in relation to current and future employment opportunities. Greater attention should be given to technical and vocational educations and training (TVET) and to adult education in support of functional literacy; an adequate legal and institutional framework for labour and employment policy implementation; and an effective labour market information system (LMIS) to collect and analyse relevant data for labour market monitoring.

- *Private sector development:* This relates to the potential of the private sector to create new jobs in both the formal and informal sectors of the economy in response to market opportunities and business innovations, focusing in particular on the provision of a favourable business climate and the development of skills and entrepreneurial capacity.
- *Local economic development:* This pertains to the creation of opportunities for productive and remunerative employment at the local (district and chiefdom) level, particularly in agriculture where such opportunities are believed to remain largely untapped. Enhanced value addition and a systematic value chain approach covering different stages from production and processing to advertising and marketing of the final product should be adopted and facilitated. The public sector should encourage the right kind of support from international development partners and foster partnership with private sector investors (PPP).

RECOMMENDATIONS: TOWARDS AN ACTION PLAN FOR TECHNICAL AND ECONOMIC DEVELOPMENT COOPERATION

The recommendations highlighted in this section of the report are guided mainly by the wide-ranging consultations and supplemented by the documentary and empirical evidence collected during the study visit. The recommendations have also been influenced by deliberations and conclusions of the Sierra Leone Conference on Development and Transformation, (SLCDT) – a Presidential initiative to mark the 50th anniversary of Sierra Leone’s independence, which aimed to review the country’s development strategy and presenting alternative approaches for policy and action towards the transformation of the economy to a ‘middle-income country’ status within a generation (SLCDT, 2012a; SLDC, 2012b; SLDC, 2012c; SLCDT, 2012d). The recommendations are useful for indicating broad directions for change in the development process and, more specifically, explicit areas for research collaboration the Korea Labour Institute (KLI) and relevant institutions in Sierra Leone, such as the Ministry of Labour and Social Security (MLSS) and the universities, to support this change. Subsequently, the recommendations also implicitly point towards a framework for economic development cooperation between the Government of South Korea and as the Government of Sierra Leone. In this latter context, the attention is on how can South Korea, as an international development partner of Sierra Leone, contribute to the wider development and transformative process in Sierra Leone.

Both the findings of the study visit and the conclusions of the SLCDT are consistent on the need for change and improvement in the following key areas and sectors:

- *Skills development and reform of education and training system:* focusing on technical and vocational education and training (TVET) and the advancement of science and technology, as well as adult functional literacy for employability.
- *Macroeconomic management:* aimed at two main objectives: (1) attaining rapid and sustained growth; and (2) sharing the socio-economic opportunities and benefits from growth, including wider access to productive and remunerative employment. The attainment of these two objectives implies a change in the

growth path towards a more inclusive and employment-intensive pattern, and capacity to take advantage of the opportunities created by globalization to industrialise and increase exports. It will also require proper and adequate mechanisms for coordination of overall development efforts.

- *Natural resources management:* calls for efficient and transparent public sector stewardship of the country's rich and diverse natural resources and safeguarding of the environment, in order to promote capital formation for investment in vital elements for sustainable development and create wealth and decent employment for poverty reduction.
- *Infrastructure investment:* focusing on improvements in electricity power supply and road network and transportation system to increase the international competitiveness of the economy for attracting foreign direct investment.
- *Agriculture sector and rural development:* promoting and stimulating investment in agribusiness and agro-industry to boost employment and raise living standards in the rural areas, and ensure food security.
- *Private sector development:* promoting a competitive private sector, including SMEs, and creating incentives for entrepreneurship and innovation and public-private partnerships as appropriate.
- *Social services delivery:* includes wider and equal access to health and education for larger segment of the population, as the foundation for continuous improvement in the development of human resource capacity

Research studies and technical advisory services [via KLI in collaboration with other relevant Korean institutions such as KDI]

1. Technical assistance for 2012 Labour Force Survey (Statistics Sierra Leone)
2. Policy-oriented study on the structural dimensions of the general employment and underemployment problem, and modalities for increasing the employment content of the overall growth and development process ((MFED, IPAM, University of Sierra Leone)

3. Technical and material (equipment) assistance, such as from the KLI, towards the establishment of a functional Labour Market Information System (LMIS) for analysis and monitoring of the labour market and informing on skills training based on the current and future needs of the employment market (MLSS, MEST and SSL)
4. Advisory services on private sector development and entrepreneurship training (MTI, SLIEPA and Chamber of Commerce)

Economic Development Cooperation [via proposed Korea-Sierra Leone Partnership Programme]

1. Rehabilitation and expansion of TVET institutions for skills development and upgrading: material and technical assistance for refurbishing (both hard and soft wares) existing facilities (polytechnics and technical training institutes) in Freetown, Bo, Kenema and Makeni; advisory services to national TVET council; upgrading of formal and traditional informal sector apprenticeship schemes such as for motor mechanics, plumbers, electricians, information technology, and handicrafts.
2. Technical support and material assistance for improving agriculture value addition and value chain processing for primary commodities, particularly in oil palm production [such as processing plant in Bo visited by Dr. Hur and Mr. Gassama of ILO], which could result in substantial employment gains and income benefits for the local population.
3. Assistance with technology and marketing techniques for industrial development, based on the Special Economic Zone at Newton in the Western Area, and stimulating investment in food processing (based on local fruits and cereals) and agro-industrialisation.
4. Infrastructure projects: stimulating Korean official development assistance and private investment in roads, power, information technology communication, water, etc.
5. Providing timely and appropriate technical and vocational training and materials for firms investing in the Special Economic Zone.

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ANNEX

List of Key Persons Contacted

Hon. Hindolo Trye - Minister of Labour and Social Security (MLSS)

Hon. Daniel Gaima - Deputy Minister of Labour and Social Security

Hon. Samura Sesay – Minister of Finance and Economic Development

Hon. Paul Kamara - Minister of Youth Employment and Sports (MYES)

Hon. Ogunlade Davidson – Minister of Energy and Water Resources (MEWR)

Hon. Richard Konteh - Minister of Trade and Industry (MTI)

C. Caulker - Chief Executive Officer, Sierra Leone Investment and Export Promotion Agency (SLIEPA)

Abdul Dumbuya - Permanent Secretary, MYES

Anthony Koroma - Commissioner, National Youth Commission

Oumar Sesay - Chair, Board of Directors, National Youth Commission

Ms. Aminata Sillah, Deputy Commissioner, National Youth Commission

A. R. Bayoh - Permamnent Secretary, Ministry of Education, Science and Technology (MEST)

Siadu Conton Seasay - Commissioner, National Commission for Social Action (NaCSA)

Prof. Redwood-Sawyerr - Principal, Fourah Bay College, University of Sierra Leone

Prof. E. Strasser-King - Director, Strategy and Policy Unit (SPU), Office of the President

Herbert M'cleod - Adviser, SPU and Coordinator, Sierra Leone Conference on Development and Transformation (SLCDT)

Ahmed Dumbuya - Adviser, SPU

Mohamed Jalloh - Director, National Council for Technical, Vocational and Other Academic Awards, MEST

Mohamed Koroma - Acting Statistician-General, Statistics Sierra Leone (SSL)

Mrs. Gladys Strasser-King - President, Sierra Leone Chamber of Commerce, Industry and Agriculture (SLCCIA) and Chair, Board of Directors, SLIEPA

Mrs. Daisy Scott-Boyle - Executive Director, SLCC

M.B. Cole – Managing Director, National Petroleum Ltd.

Kandeh Yillah - Secretary-General, Sierra Leone Labour Congress (SLC)

Ms. Mia Seppo - Country Director, UNDP Sierra Leone

Keith Wright - Principal Technical Adviser, UNDP

Ms. Bidemi Carrol - Human Development Specialist, World Bank, Sierra Leone

Mrs. Ida Lisk – Director, Pilot National Legal Aid Scheme

David Carew - Chief Executive Officer, Freetown Nominees Ltd.

Claudius Bart-Williams – Chief Executive, Pennarth Greene & Company Ltd.

Chrispin Deigh - Managing Director/CEO, Sierra Leone Commercial Bank

ANNEX-2: Sierra Leone Special Economic Zone

US opens \$5mn special economic zone in Sierra Leone

(AFP) – May 5, 2011

FREETOWN — The United States launched its first Special Economic Zone in Africa on Thursday, with the opening of a mango and pineapple juice concentrate factory in Sierra Leone.

The US has invested \$5 million in the 50-acre zone -- a special area with more liberal economic laws than in the rest of the country set up to attract foreign direct investment.

The first factory in the zone is Africa Felix Juice in the town of Newton east of the capital, which will process three tonnes of concentrate every hour, the majority of which will be for export purposes.

"The concentrates will go into a world class industrial line and will be produced by a company called Tropical Food Machinery from Italy. Quite a bit will also be sold in the local market," said Richard Schroeder, chief executive of First Step, which runs the factory.

"Our aim is to bring ethical foreign direct investment into Sierra Leone, providing space for international businesses to process Sierra Leone resources instead of exporting the raw material," he added.

The factory is run as "a public-private partnership with government," said President Ernest Koroma at the opening.

"The project is the first and only American-owned Special Economic Zone on the African continent with an enormous potential for growth," said US ambassador to Sierra Leone Michael Owens.

According to a further CNN report by Isha Sesay and Jill Reilly, "Juice factory could bear fruit for Sierra Leone", **of June 29th, 2011,**

"The zone was set up by First Step -- a commercial subsidiary of the American NGO World Hope International.

First Step discovered that many farmers in Sierra Leone struggle to turn their fresh produce into money and that a lot of fruit ends up unsold or left rotting on the ground.

Sierra Leone's Deputy Minister of Information Sheka Tarawalie admits: "We have fruits like mangos, pineapples all over the country, but they are being wasted, and there is not much value added to these resources."

First Step's industrial park is intended to house factories that can process Sierra Leone's natural resources, rather than simply exporting them.

Richard Schroeder, First Step's CEO, sees the industrial park as a logical solution to help develop new business in the country.

He says: "We're just making it possible for businesses to easily establish and employ people to start processing resources locally instead of what always happens in Africa, which is, it's seen as a source of natural resources.

"Natural resources are dug up, brought some place else, cut down or taken out of the water, and processed and sent back to Africa or other places in the world, when the real value addition is, where jobs are created, where income is created -- where an economy can really find its engine."