

University of Makeni – A look at the economy of Sierra Leone – 2

I hope he does not mind but *Brett McEntee*, of Washington State University, published this article on what is part of the history of all Sierra Leone students. I hope you find it useful!

Research Question: What is the root cause of Sierra Leone's modern indigent economic status?

From colonial control, to the fight for independence to a raging civil war, Sierra Leone has suffered much hardship throughout its history. Poverty remains widespread throughout the country and has had devastating results on the people and its economy. Today the country of Sierra Leone who was once a thriving British settlement, has 60% of its population living under the poverty line and is now officially the poorest country in the world. Years of economic decline and continuing armed conflict have had dramatic effects on the country, its economy and its people. The great penury Sierra Leone suffers from today is a direct result of the prolonged colonial rule that controlled every economic and political move, eventually leaving the economy feeble and later causing a civil war that would tear the nation apart from the inside out.

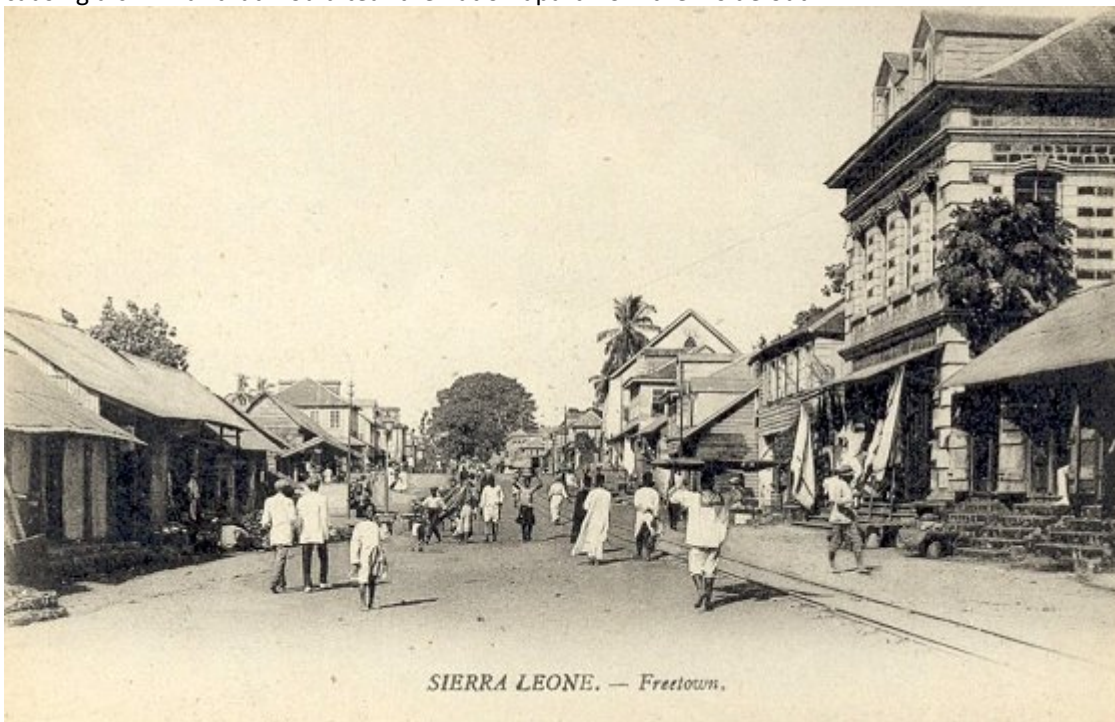


Fig 1: Sierra

Leone- Freetown

With the creation of Freetown in 1787 by English settlers, the colony was civilized by either the British, discharged black soldiers or runaway slaves. [1] After the abolishment of the slave trade in 1807, the British government took responsibility for Sierra Leone. Throughout the next half century nearly 50,000 freed naval slaves would be imported in the country, who in which had no common language with one another. With the instability the freed slaves of the town maintained, missionaries provided them a common culture based on the English language and Christianity [2]. The cities and people in the region grew and adapted to base their lives off the British ways and culture. When many people, mostly the black poor, eventually settled in the northern areas of the peninsula, a division of Freetown (the Crown Colony) and the creation of the Protectorate created a huge off balance among the people and developed a type of segregation within the British settlement. With the British government only recognizing the Crown Colony, it created many discriminatory aspects and conflict between the two groups of people. [3] The civilians of the colonies grew angry with many of the British acts and caused a great division among them due to social status, education and more.

Although Sierra Leone is a country of valuable natural resources such as the diamond, they still suffer extreme poverty. They have been cursed with war far and penury ever since their independence and it's due to the history of government corruption, insufficient infrastructure, poor education and inadequate civil rights. [4] Due to the long history of colonial rule, once Sierra Leone gained independence, the nation was left uneducated, unstable and impoverished. When the British handed over their rule of the colony and declared it an independent nation in 1961, it was a time of achievement and happiness for many of the people.[5] But it was soon realized that after 150 years of British colonial rule and most of their civilians descendants of poor, black freed slaves, that the nation had no stability without its former rich rulers. The struggle the state would soon enter due to this desertion and past colonial conflicts such as the division of the Crown Colony and the Protectorate would be the direct cause of such violence and the civil war that would begin in the early 1990's and last for nearly a decade. This war within the country would become one of the most vicious wars during post independent Africa. Due to the frustration with government, the economy and more that had resulted from British rule, the people turned on each other and within their show for hatred, mass rape, murder and many other bloodthirsty crimes erupted within the new nation. Sierra Leone had the potential to be a thriving, prosperous state but instead it became a living hell due its extreme instability and its inexperience of running its own powerful state with the release from Britain.



Fig 2:

Sierra Leone, 2003: Patrolling the border with Liberia, trying to ward off rebel attacks.



Fig 3: Voters wait in

line to cast their ballots in presidential, parliamentary, and local elections, outside a polling station in the Kroo Bay neighborhood of Freetown, Sierra Leone, Saturday, Nov. 17, 2012.

Release from colonial rule has not been kind to the country. Independence has caused severe cycles of poverty that is led by a corrupted, one-party rule government that has caused much disagreement among the civilians. These conflicts have been the reason for the eruption of civil war and anger among the country. [6] Many researchers have proven that civil war is a direct result of political instability. Hoeffler and many other researchers have claimed and proven that, “the risk of civil war outbreak is also likely increased in cases of the existence of large diaspora, a low per capita income, a low growth rate, a dispersed population and finally a higher population in total.” [7] The dreadful economic decline that came with and caused the civil war and social turmoil destroyed both social and physical framework and impoverished the country. Vast numbers of children were forced into the vicious war by rebel groups such as the Revolutionary United Front (RUF) and the destruction of thousands of families along with the economy, agriculture and more grew more common every day. Agricultural production declined, which effected food pricing and rural incomes. It disturbed education, and increased violence, manly on women and families which would cause the mass spread of HIV/AIDS. Today, due to these occurrences, according to the UNDP Human Development Index, Sierra Leone is the poorest country in the world having 75% of its entire population living below the poverty line. [8] The country is still struggling to gain it’s stability after such a long, painful history of colonial control.

Beginning with its development as a colony that supported free and runaway slaves, Sierra Leone was essentially constructed on the British government and economy and poor black families that lived and worked among them. Due to the severe disagreement and instability after the independence from Britain, the civil war that erupted within the country would completely tear the nation apart and ruin its every potential of surviving successfully without greater control. Without British rule having such a tight grip on Sierra Leone’s economy and people during its upbringing, the nation would have had a chance to grow independently, resulting in a healthy economy and political system that would have prevented the bloody war that tore through its cities and left the nation more fragile than ever before.

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Illustrations:

[Fig 1] Sierra Leone- Freetown 1827; lionmountaincoffee.com/history.htm

[Fig 2] Sierra Leone, 2003: Patrolling the border with Liberia, trying to ward off rebel attacks; www.nytimes.com/2006/08/13/magazinewwin_idealab.html

[Fig 3] Kroo Bay neighborhood of Freetown, Sierra Leone, Saturday, Nov. 17, 2012. blogs.pjstar.com/eye/2012/11/18/photos-of-the-day-novemeber-17-2012/

What was forecast for 2018 – how is it looking?

Sierra Leone Economic Outlook

Economic performance and outlook

With the discovery of iron ore in 2011, mining became the main growth driver, resulting in an unprecedented growth rate of 21% in 2013. However, following the downward trend in the international price of iron ore and the outbreak of the Ebola virus in 2014—the economy contracted 20.6% in 2015. Resumption of operation by one of the two iron ore companies led to a rebound of the economy, with a growth rate of 6.3% in 2016 and an estimated 5.7% in 2017. The outlook for 2018 and beyond will continue to be challenging, due to the uncertainty surrounding the international prices of iron ore. GDP growth is expected to be 6.1% in 2018 and 6.5% in 2019.

Macroeconomic evolution

Lower revenue and substantial expenditure needs, coupled with the impact of the twin shocks, led to deterioration of the fiscal situation. The budget deficit stood at 6.5% of GDP in 2016 and is estimated at 5.8% in 2017. Lower export receipts created a shortage of forex, leading to a sharp depreciation of the Leone against the U.S. dollar by an average of 20% in 2016. The pass-through effect of this depreciation set in motion an inflationary trend, 11.5% in 2016 and an estimated 18.4% in 2017, far above the single-digit targets set by the authorities. This development challenged the monetary policy operation throughout the review period. To contain the pressure, the monetary authorities adopted a tight monetary policy stance by increasing the monetary policy rate from 11% in 2015 to 12% in 2016 to 13% in 2017. According to the latest debt sustainability analysis by the authorities, the country remains at moderate risk of debt distress. Contracting non-concessional finance needs to be avoided.

Tailwinds

The success, albeit limited, in closing the infrastructure gap in roads, energy, and telecommunications will help boost economic growth and reduce poverty through private-sector development and attraction of foreign direct investment. It also has the potential to support the economic diversification drive currently advocated by the government and development partners. In 2018, Sierra Leone will hold its sixth democratic elections since the end of conflict and is ranked

39 out of 163 countries on the 2017 Global Peace Index. This relative peace may, however, be put to a real test in the months leading to and following the March 2018 presidential and parliamentary elections, based on the current situation and expectations.

Headwinds

The historically low fiscal revenue was exacerbated by the fall in international iron ore prices and subsequent closure of the iron ore sector. Revenue fell from 13% of non-iron ore GDP in 2013 to 10% in 2015. Higher domestic borrowing is an issue, and government finance costs could rise substantially. Expenditure adjustment will be difficult in an election year, which may derail compliance with the International Monetary Fund's Extended Credit Facility (ECF) program. There are indications that the first review under the ECF will not be completed on the grounds that the government has not curtailed the fiscal deficit enough. These developments could worsen the inflation rate, which is trending upward. The dependence on primary commodity exports makes the country extremely vulnerable to external shocks. All these challenges are compounded by the lack of good governance practices as the fragile country continues to do poorly in most international assessments on the fight against corruption

Source: African Economic Outlook (AEO) 2018

Best wishes,

John

19th June, 2018