



SIERRA LEONE

**ADMINISTRATIVE BARRIERS TO INVESTMENT
PHASE II**

**ANALYSIS OF THE INSTITUTIONAL FRAMEWORK UNDERPINNING
INVESTMENT AND PRIVATE SECTOR DEVELOPMENT**

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**Foreign Investment Advisory Service
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International Finance Corporation
and
The World Bank**

This report has been prepared by the Foreign Investment Advisory Service (FIAS), a joint facility of The World Bank and the International Finance Corporation, in response to a request by the Minister of Trade and Industry to provide a detailed analysis of administrative barriers to investment and set of practical recommendations targeted at removing these impediments. FIAS visited Sierra Leone in January, 2005 to undertake fieldwork underpinning the investigation and worked closely with a local counterpart team from various ministries, including Trade and Industry, Finance, and Local Governments, and well as representatives from SLEDIC. FIAS returned to Freetown in February/March 2005 to look intensively into the role and function of SLEDIC and the investment promotion program in general. Results from the later mission will be presented in a separate report.

The FIAS team interviewed a range of foreign and domestic investors from different countries and various sectors, representatives of foreign investors including chambers of commerce, foreign investor associations, accounting firms, and law firms. The FIAS team worked closely with officials in many different ministries and agencies.

Our main counterparts came from the Ministry of Trade and Industry. The study would not have been possible with the guidance and assistance of the Minister of Trade and her chief advisor. The World Bank office in Freetown was extremely supportive in providing guidance, arranging our meetings, taking care of all logistics and support for the mission and the workshop. Additionally, the FIAS mission worked closely with the World Bank country team from the Africa region, and we are grateful for their support. The members of the FIAS team would like to express their gratitude for all those in the government and private sector in Freetown who made the field work for this study possible. This work was funded through the FIAS Trust Fund and UK Department for International Development. DFID staff worked closely with FIAS in the development of the project and participated in the field mission.

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EXECUTIVE SUMMARY

- i. The Sierra Leone Export Development and Investment Corporation (SLEDIC) was established through a Decree in 1993 and is mandated to carry out the functions of an Investment Promotion Agency, an Export Promotion Agency and certain functions of a Small and Medium Sized Enterprise Agency. The structure has evolved, including the addition of the One Stop Shop (OSS) department, which was set up to provide the support required in the 2004 Investment Promotion Act.
- ii. The public / private sector Board of SLEDIC has not met for over a year. The main problem appears to be the lack of a Chairman, compounded by the seizure of all Board papers by the Anti Corruption Commission (ACC).
- iii. The activities of SLEDIC are severely hampered by financial constraints and both investment and export promotion activities are limited; its current situation can be regarded as the investment promotion equivalent of subsistence farming. Statistics on SLEDIC's performance and achievements are limited. In addition, the operational leadership of SLEDIC is weak and needs to be completely changed.
- iv. International best practice shows that investment promotion is best carried out by a parastatal, financed by the government and guided by a private / public sector board, whose chairman is appointed by the President. Investment promotion agencies typically include investment promotion, research, IT and policy advocacy departments.
- v. The Government of Sierra Leone wishes to address poverty alleviation and move away from donor dependency through wealth creation by the private sector; the strategy for economic growth includes the creation of a favourable regulatory environment within which the private sector can operate. In countries where the private sector is weak and fragmented, policy and regulatory changes are often not enough to stimulate growth because the private sector is not strong enough to react to them. In this situation the institutions mandated with the creation of the private sector such as the Investment Promotion Agency bringing in the private sector from outside and the SME agency, creating and developing it from within are central and key for growth.
- vi. Based on the economic indicators, it is clear that SLEDIC in its current form is not operating as an effective delivery mechanism for investment into Sierra Leone.
- vii. It is recommended that SLEDIC is restructured through the establishment of two new institutions to deal with investment and export promotion. The recommendations cover mandates, supervisory Boards, structures, personnel, establishment, work plans, performance measurement and budgets and are summarized in the following matrix.

Summary Matrix of Recommendations

Issue	Recommendation	Timeframe	Priority
Mandate	Set clear mandates for investment and export promotion	Short term	High
Overall structure	Split SLEDIC into two organizations to clearly separate investment and export promotion	Short term	High
Detailed structure	Establish new institutional structures for investment and export promotion	Short term	High
Board	Appoint Board members on the basis of abilities to contribute rather than on the basis of political patronage	Medium term	Medium
	Provide training to Board members on corporate governance	Medium term	Medium
	Establish a new private sector / public sector Board for the supervision of investment promotion	Short term	High
	Establish a new private sector/ public sector committee to supervise export promotion	Short term	High
Personnel	The operational leadership of SLEDIC is weak and should be changed to better serve the goals of the institution	Short Term	High
	Appoint Directors on a two year renewable contract, subject to performance	Short term	Medium
	Develop a performance related pay system	Long term	Medium
	Appoint executives on the basis of character and intellectual capacities.	Short term	High
Establishment	Seek donor support for long and short term specialists to support the new establishments	Short term	High
Work plan	Emphasize information collection / dissemination and servicing for the first two years of investment promotion	Medium Term	Medium
	Develop relationships between the investment promotion institution and the other actors on the SL investment stage	Short term	High
Budgets	Fund investment promotion from GOSL and do not introduce any charging of investors	Short term	High
	Seek donor support for export and investment promotion	Short term	High
Ministry of Trade and Industry	Demand results from the export and investment promotion institutions	Medium Term	High

CHAPTER I

INTRODUCTION

1. The Government of Sierra Leone (GOSL) recognises that the recovery of the economy that was so adversely affected by the internal and regional conflicts of the 1990's must be driven by private sector growth. This is necessary to move the country away from being donor dependent to a situation where it is more self-sufficient through increased and value added exports. It is accepted by GOSL that the role of government is to create the enabling environment within which the private sector can develop and thus create wealth for the country.
2. The attraction and securing of private sector investment is a key component for economic recovery. In support of GOSL, a study into administrative barriers to investment in Sierra Leone is being carried out under a joint FIAS and DFID funded program. The study has been divided into three phases: a diagnostic phase, including the design of solutions, an institutional phase, including a review of the current institutional structure for attracting investment and recommendations for its improvement, and an implementation phase.
3. This report is phase two of the administrative barriers study. It is based on an assessment of the Sierra Leone Export Development and Investment Corporation carried out during a three week mission in February / March 2005. During the mission interviews were held with a range of actors involved in attracting and securing investment, government departments, private sector organisations and individual investors.

CHAPTER II

SLEDIC

A. Background and mandate

4. The Sierra Leone Export Development and Investment Corporation (SLEDIC) was established through Decree number 23 issued by the National Provisional Ruling Council in November 1993. The Decree was converted to an Act of Parliament in 1996, without any substantive alteration to its content. According to the Decree, the organisation is required to:

- Encourage and promote the development of agricultural production and other activities oriented towards export;
- Encourage the diversification of export goods in order to strengthen the base of the economy;
- Encourage and promote investment opportunities in all sectors of the Sierra Leone economy for both national, foreign and private interest;
- Identify potential investors with a view to encouraging them to invest in the agricultural and other sectors of the economy;
- Facilitate the export oriented operations of small scale producers and manufacturers;
- Gather, collate and make available to exporters and investors information, statistics and services on international markets, export trends, and investment opportunities to overseas or international markets;
- Carry out research on investment, exports and other related activities; and
- Perform other functions related to those mentioned in this section.

5. Thus, SLEDIC is mandated to carry out the functions of an Investment Promotion Agency, an Export Promotion Agency and certain functions of a Small and Medium Sized Enterprise Agency.

6. The Decree provides for the establishment of a Board of Directors, comprising a Chairman, appointed by the President, and eight Directors. Five of the Directors are drawn from the private sector – two from the Sierra Leone Chamber of Commerce, one from the Sierra Leone Manufacturing Association, one with experience of export promotion and one with experience of investment, both of the latter being appointed by the President on the advice of the Minister of Trade and Industry. Two of the Directors are from the public sector – one from the Ministry of Trade and Industry and one from the National Industrial Development and Finance Organisation.

7. The Board is empowered to appoint a Managing Director, who is also a member of the Board of Directors. The Decree states that the Managing Director shall be assisted by three Deputy Managing Directors and that the most senior shall deputise for the Managing Director in his absence. The Board is required to submit an annual report to the Minister of Trade and Industry, including audited accounts.

8. The Investment Promotion Act of 2004 provides a basic framework for investment into the country. It covers investment procedures, investment incentives (not yet detailed), remittances of profits, guarantees against expropriation and other issues related to investment. The Act requires SLEDIC to implement the provisions within the Act, and specifically:

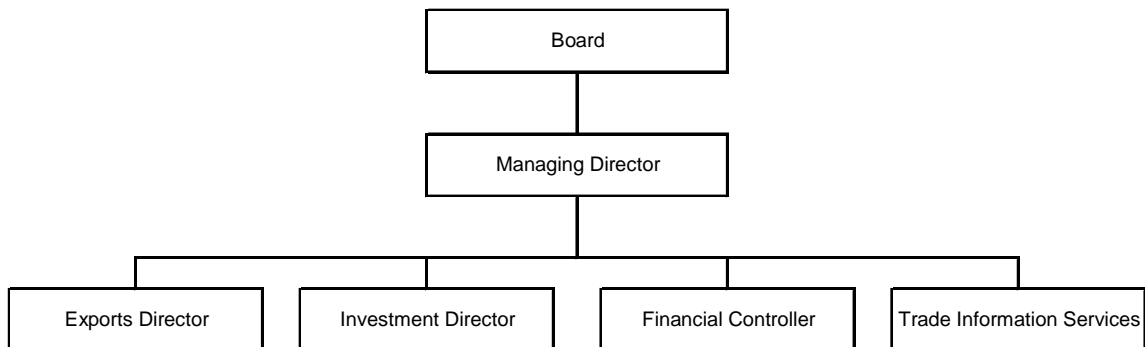
- To facilitate the registration of business enterprises
- To assist investors in obtaining whatever permits, licences, certificates or clearances that might be needed for the commencement of business
- To provide potential investors with whatever information might be required
- To assist investors in identifying suitable joint venture partners in Sierra Leone
- To provide whatever other assistance is needed for the realisation of an investment
- To do everything needed to discharge the functions of the Act.

9. The mandates of SLEDIC have been encapsulated in a mission statement for the organisation:

To facilitate the process of stimulating productive activities by initiating and implementing strategies geared towards expanding, diversifying and promoting of exports, investments and small scale industries.

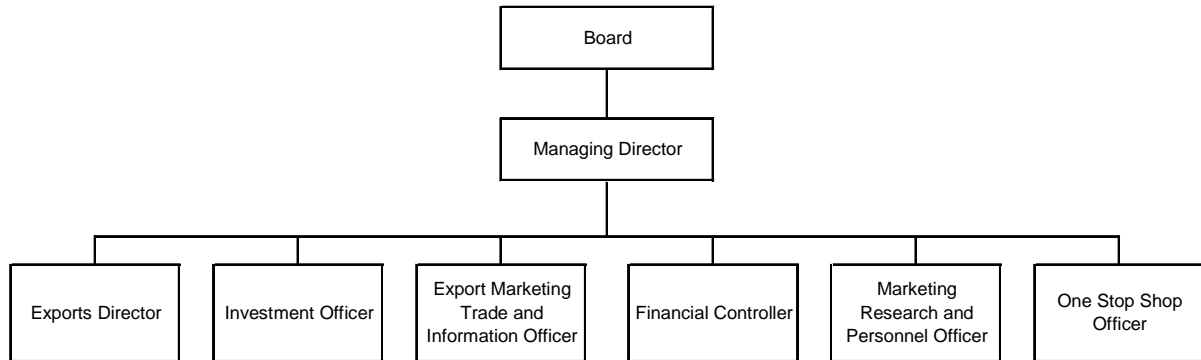
B. Structure

10. When established in 1993 SLEDIC was structured with four departments – Export Promotion, Investment Promotion, Finance and Administration and Trade Information. This structure is shown below and created an executive management team of four, plus the Managing Director.



11. The organisation was, inevitably, affected by the war, and between May 1997 and February 2001 was either closed, dormant or non operational. It effectively restarted operations in May 2001.

12. The structure has since evolved through the splitting of the Finance and Administration function into two and through the addition of the One Stop Shop (OSS) department, which was set up to provide the support required in the 2004 Investment Promotion Act. This has led to an executive team of six, plus the Managing Director. The current structure is shown below.



13. Currently the organisation has a total of 18 staff, broken down as seven executives, including the Managing Director, one intermediate level employee (the Managing Director’s personal secretary,) and ten classified as support staff.

C. Funding

14. The activities of SLEDIC are severely hampered by financial constraints. The organisation is funded by GOSL, with its funding coming directly from the Ministry of Finance (MOF). In the past it has received funding from UNDP but this ceased in 2000. In the current year (2005) the budget is expected to be 180,000,000 Le (US\$60,000), which should be paid quarterly. In the first quarter of the year only 27,000,000 Le (US\$9,000) was received from MOF, representing a significant shortfall. Salaries account for about 9,000,000 Le (US\$3,000) per month and thus the amount received covers salaries leaving nothing for other running costs such as rental, telephones and power.

15. The budget proposal that was submitted to MOF for 2005 totalled 909,500,000 Le (US\$300,000). This included the costs associated with the establishment of the OSS and also some project funding. The initial indications were that SLEDIC would receive 213,700,000 Le (US\$70,000) but because of the reduced payment in the first quarter the expectation is that the amount that will be received will be around 180,000,000 Le (US\$60,000), although this figure is uncertain.

16. The impact of the lack of funds is evident throughout the organisation. Computing equipment is limited, with only five computers in the organisation, of which two are the personal property of executives. There is no funding for repairs – only one printer is working in the organisation and the photocopier is not usable because there is no funding to pay for repairs. Photocopying is carried out at a corner shop and extended credit is constantly being sought for other expenditures. Power is supplied from the organisation’s own generator, but the lack of funding for fuel means

that it is normally available for just four hours a day. For an extended period there has been no land line telephone and internet connection. Staff salaries are often paid late. A period towards the end of 2004 when there was no water connected, resulting in water having to be carried up six storeys for washing, cleaning and to run toilets, was particularly difficult.

17. Although the current situation in SLEDIC may reflect the hardship and poverty of Sierra Leone itself, the task of spearheading the country's drive to attract investment is difficult, if not impossible, in these conditions. The situation can be regarded as the investment promotion equivalent of subsistence farming.

D. The Board

18. The Board of SLEDIC currently comprises six external directors plus the Managing Director. The external directors consist of two nominated by the Sierra Leone Chamber of Commerce, a representative of the Ministry of Trade and Industry and three nominated by GOSL. There is currently no Chairman, although the President is expected to make a nomination in the very near future. The President announced a new Chairman in early 2004, but the individual named declined the position because of previous negative experiences with the Anti Corruption Commission. Thus there has been no Chairman of the Board for well over a year.

19. The Board has not met for over a year. The main problem appears to be the lack of a Chairman, compounded by the seizure of all Board papers by the Anti Corruption Commission (ACC) early in 2004. Why the ACC have impounded the documentation is not clear. During this period when the Board has not met, members have been kept informed of the situation in SLEDIC through a quarterly activity report issued by the Managing Director.

E. Operations

1. Investment

20. The activities of the Investment Department, which consists of one executive, are primarily focused on pre-investment servicing of enquiries received from a range of sources, with an emphasis on information on legal and regulatory issues. No databases of investment servicing information have been developed and no post-investment servicing is undertaken. There are no investment generation activities, other than the participation of the Managing Director in the occasional investment mission led by a Minister. Basic details of some investment opportunities have been produced, although some of these appear to be out of date.

21. Promotional materials are non-existent other than photocopies of largely out-of-date documentation. A web-site www.sledic-sl.org has been created by a potential investor from Germany with an interest in a tourism investment in SL. But the website is not easily located by search engines and the site is not maintained or updated. There are no facilities to receive enquiries from potential investors from the website, although it gives the e-mail addresses for two executives. However, the fact

that telephone lines are down so frequently mean that these addresses cannot be easily checked and there are no records of any enquiries ever having been received through responses from the web-site.

22. The recently created OSS consists of one executive and has been operational for just a few months. It facilitates business registration and work permits, and also provides pre investment information and arranges contacts with utilities, Ministries and other organisations for potential investors.

23. Statistics on enquiries and projects handled are very basic. The records show that in 2004 there were 15 investment enquiries, largely from domestic investors enquiring about setting up a business.

24. Over the last four years, the registration of new businesses at the Office of the Administrator & Registrar General have been as follows:

Year	Number of new businesses registered
2001	190
2002	218
2003	316
2004	369

Source: Office of the Administrator and Registrar General

25. It is estimated by SLEDIC executives that between ten and fifteen percent of these registrations came through SLEDIC although there are no statistics to support this. Within the last three months, the OSS has helped with the registration of three projects and has provided support to a further two potential investors.

2. Exports

26. It was envisaged by the management team when SLEDIC was set up in 1996 that the Export Division would be headed by a Director and have a minimum staff of three – a Trade Fair Officer, a Research Officer and a Product Development Officer. A Trade Fair Officer was employed before the war but the position has not been filled for the last three years. More recently an officer has been employed whose part responsibilities include research on trade statistics.

27. Much of the Export Division's recent activities have involved project work on the ginger and fish smoking projects and, in collaboration with the Ministry of Trade and Industry, the development of Sierra Leone's interests in relation to AGOA.

28. The Trade Information section was built up over the period 1993 to 1997 with help and support from UNDP. The unit consists of one executive and collects, processes, stores, retrieves and disseminates information relevant to exporters. Records are kept of the number of enquiries handled, which are broken down into domestic and foreign enquiries, and also into the type of enquiry, classified under 13 categories, indicating the nature of the information requested.

29. The records show that over the past four years the number of enquiries received were:

Year	Number of enquiries handled by SLEDIC Trade Information section
2001	6
2002	8
2003	22
2004	46

Source: SLEDIC statistics

3. Finance and Administration

30. Finance and administration, including personnel management, were the responsibility of the Financial Controller. With the introduction of the new position of Marketing, Research and Personnel Officer, the responsibilities for personnel have been transferred to the new position, leaving finance and general administration with the Financial Controller.

31. SLEDIC was involved with the provision of micro credits for SMEs and an officer was employed for this purpose between 2001 and 2003. The responsibility was then transferred to the Financial Controller.

4. Projects

32. SLEDIC has been involved in the implementation of a number of projects, some of which are still on going. The live projects include:

- **Ginger:** this project is encouraging farmers to grow ginger using new cultivars imported from the Far East. This project developed following an attempt to sell SL ginger to Europe in 1996. The European buyers were not impressed with the product being grown in SL and new varieties were therefore sought from China. After a trial phase the project was extended throughout the country by means of workshops involving over 900 groups representing over 10,000 farmers. The plan is to build up production over a three-year period before starting to export the product.
- **Fish smoking:** this project involves the construction of Altona fish smoking ovens in fishing communities.

CHAPTER III

INTERNATIONAL BEST PRACTICE FOR INVESTMENT PROMOTION

33. The attraction of investment is regarded as an important instrument for economic and industrial development by most countries throughout the world. Accordingly, it is generally accepted that the promotion of the country as an investment location needs to be under the direction of, and financed by, the national government. Investors need to have the confidence that their investment is supported and welcomed by the government. But at the same time, success in attracting and securing investment requires an organisation that has a private sector ethos and is not constrained by government bureaucracy and red tape.

34. International best practice shows that these requirements can be best achieved through a parastatal, financed by the government and guided by a private / public sector board, whose chairman is appointed by the President, through recommendations from the relevant Minister and who is accountable to the Minister and the President.

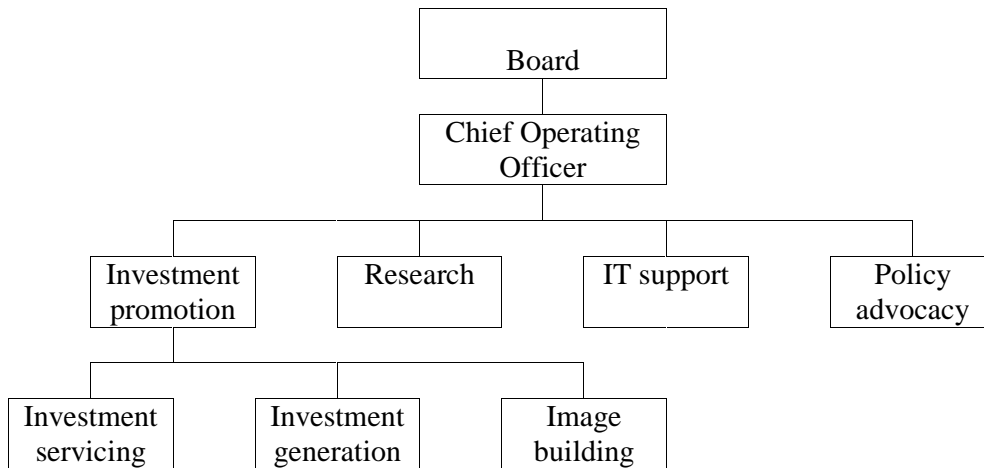
35. The role of the board of an investment promotion agency (IPA) is similar to that of the board of a company - to look after the interests of the shareholders (those Ministries and other institutions with an interest in investment into the country) and to ensure that the company (IPA) is run in a good and prudent manner. Boards normally appoint the Chief Executive Officer (CEO) (or Managing Director) and approve other senior appointments recommended by the CEO. Boards would also normally approve annual workplans and budgets and ensure that the IPA remains focused on the achievement of its goals and visions. Boards would be expected to ensure that there are sufficient resources to enable the IPA executive to carry out the activities necessary to achieve agreed targets.

36. International best practice suggests that an investment promotion agency, mandated with the attraction of investment, requires to be focused on:

- Management
- Investment promotion;
- Research;
- IT support;
- Policy advocacy.

37. There may be other requirements, depending on the specific situation of the country concerned. There may be a need for a regional structure to be included in the organisation, where geography, size, ethnic composition, political, economic or religious diversities make it desirable. Also, where there are legal or regulatory issues that need to be dealt with then an appropriate provision may need to be made within the IPA's structure.

38. However, a typical structure is shown below.



A. Management

39. The Chief Operating Officer (CEO) is normally responsible for the operations, strategic planning and administration of the IPA. The main responsibility is to provide leadership for the organisation and ensure that it remains focused on its objectives to the satisfaction of the board and its stakeholders. This would include the development of strategy and budgets, the development of work plans, the setting of standards, the determination of targets and supervising performance measurement. The CEO is also responsible for the appointment of executives, salary and incentive programs and human resource development.

40. The CEO also needs to take the lead in developing relationships with those other organisations and institutions from both the public and the private sector whose co-operation is needed to achieve success in attracting and securing investment; it is a team effort and good co-ordination of individual efforts is vital.

B. Investment Promotion

41. The general concept of investment promotion is well known. The clear evidence from the many countries throughout the world, which have been successful in attracting investment, shows that a mix of functions - image building, investor servicing, and investment generation - is required to achieve results. These activities have been well documented elsewhere but are summarised below.

- **Investor servicing.** Servicing (or facilitation) refers to the range of support services provided in a country to assist potential investors in reaching an investment decision, in setting up and in operating the investment. These typically include the provision of information on opportunities, legislation, sites, partners, funding sources and so on; providing a 'one-stop-shop' service to deal with approval and registration processes; assistance with site and land identification and on negotiations for land; contacts to authorities and utilities and other services which

might be required by the investor. Investor servicing includes both pre- and post-investment activities. Expansions by existing investors often provide greater economic benefits than the initial investment and post investment servicing helps to secure this.

- **Image building.** Image building is the function of creating a positive awareness of a country as a location for international investment. Media reports, in the media read or viewed by the potential investors being targeted, which portray the country in a favourable light help to achieve this. Case studies on existing investments are often used for this purpose. Targeted advertising and public relations events may also be used to build up the positive image required. It also involves the cultivation of 'multipliers' - those groups such as commercial attachés, investment banks, trade associations, professional advisers and Chambers of Commerce who are in contact with, and can influence, potential investors.
- **Investment generation.** Investment generation involves targeting specific sectors and companies, in those countries that are considered likely sources of investment, with a view to creating enquiries. Activities include the identification of sectors and specific projects that offer good opportunities for investment; the identification of potential investors through direct marketing, telephone campaigns, investor seminars, missions and individual presentations to potential investors. Overseas-based executives usually have a major focus on investment generation. It is a prerequisite that effective investor servicing should be in place before investment generation activities are initiated in order that investment enquiries generated can be converted into actual investments.

42. The emphasis that is placed on each investment promotion function varies from country to country depending on circumstances, budgets, institutional structures and national objectives and priorities. The emphasis will also tend to change over time as economies and priorities change; the balance of investment promotion functions needs to be constantly reviewed and adjusted.

43. Executives involved with investment promotion have direct contacts with investors and thus high quality people, capable of relating to senior management in private sector companies and with strong interpersonal skills – communications, listening and relationship building skills – are essential.

The success of Ireland in attracting investment was influenced by the prevailing investment climate but was also in no small part due to the ruthless efficiency of the Industrial Development Authority (IDA) as the means for identifying and securing that investment. The IDA was a focused, professional, determined and performance driven organisation, staffed with high calibre executives, who were specially trained, highly rewarded, well managed, hard driven and required to produce results. Failure to produce results meant that employment was terminated. Of the major investments that were landed, not one of them simply arrived – every single major investor was targeted, serviced, and developed, often over a long period of time, before the investment was made. Sierra Leone should aspire to developing an equally efficient delivery mechanism for investment.

C. Research

44. Research typically covers the provision of information to serve as inputs to investment servicing and investment generation and the provision of the background information required for strategy development. Investment servicing requires a wide range of accurate information, which needs to be constantly updated and expanded, both on a national and regional level. Individual sectors need to be researched to identify and quantify investment opportunities and further research can then identify specific companies to be targeted for investment.

The Welsh Development Agency carries out extensive research to identify growth sectors and growth companies that can be targeted for investment. This includes in depth media monitoring and consideration of factors such as the sectors and companies into which venture capital companies are investing. Some of this work is outsourced to specialist research companies.

45. Investment trends need to be monitored, both within the country and internationally. Investment incentives and strategies need to be benchmarked against competitors in order to provide a basis for strategy reviews by management.

D. IT support

46. The (often) dispersed nature of investment promotion agencies, the necessity of sharing information, the requirement for information to be organised in accessible forms, the need for information to be presented electronically and the fact that the Internet is now the most important source of information all combine to make IT support essential to the efficient operation of an investment promotion agency.

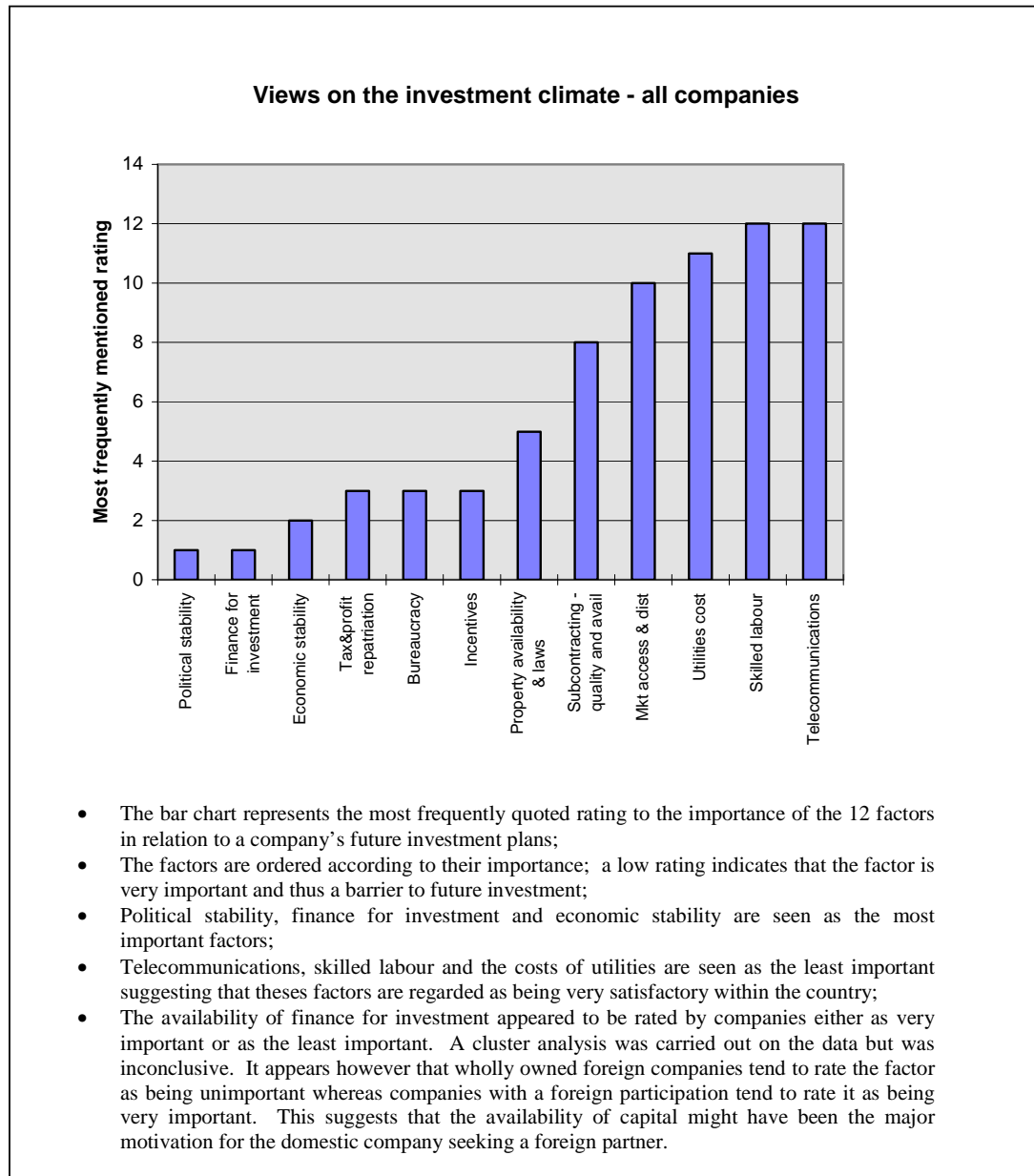
47. The statistics required for management information, typically on enquiries received and investments secured, are often handled through the IT department. Performance measurement and investor tracking systems may also be the responsibility of the department.

E. Policy advocacy

48. An investment promotion agency is ideally placed, not only to communicate to investors the government's goals and priorities with respect to private sector development but also to provide government policymakers with ongoing feedback regarding investor requirements and concerns. The close relationships that are developed through investment servicing provide a range of investor concerns that can be assessed, prioritised and acted upon through policy advocacy. The information obtained from servicing may be supplemented by surveys of existing investors. An example of the results of a survey of existing investors in a Central European country is shown in the box.

49. The issues identified can be discussed with other national institutions with a view to effecting change. Public relations techniques may be used to gain wider support for the issues being championed.

50. Policy advocacy need not be restricted to the legal and regulatory issues surrounding the establishment and operations of foreign investment. National long-term economic development strategies are usually linked to progress in areas such as education, infrastructure and telecommunications. Given the detailed knowledge an investment promotion agency would normally have of the attitudes and requirements of foreign investors, it is well placed to identify priorities in these areas.



Source: A survey of existing investors carried out in a Central European country

CHAPTER IV

ANALYSIS

51. Based on the economic indicators, it is clear that SLEDIC in its current form is not operating as an effective delivery mechanism for investment into Sierra Leone. The reasons for this are complex but include:

- The Board of SLEDIC has failed to provide direction and has failed to work to ensure that the financial resources that are needed for the organisation to operate are in place. The fact that no Chairman has been appointed for well over a year has contributed to this situation, but although the Directors are empowered to call a Board meeting and appoint a Chairman for that meeting from those present, they have failed to do so.
- The current operational leadership has failed to meet the goals of the institution and have weakened it substantially.
- The combined mandate of export promotion and investment promotion means that there is not a clear focus for the organisation. This becomes an even greater problem when financial resources are reduced and when the priorities for the organisation are not clear. There is a tendency to move executives between the two main foci.
- The executives in SLEDIC are not trained in investment promotion and lack management guidance.
- There appears to be an inertia within the organisation that hinders progress and development, which is not being addressed by management.
- The lack of financial resources is a huge constraint. With severely reduced power, telecommunications, IT equipment and personnel, it is (almost) impossible to operate and produce results.

52. The Ministry of Trade and Industry is the Ministry through which SLEDIC reports to GOSL and is also the prime mover for the establishment of an SME agency. It is expected that this situation will continue after any restructuring and that the Ministry will retain responsibility for investment and export promotion in addition to SME development. These are positive factors, given the importance of these institutions for economic and industrial development in the country.

53. It is clear, however, that the Ministry currently finds it difficult to monitor and influence SLEDIC. The fact that there is no Chairman and that the SLEDIC Board has not met for over a year are the main reasons for this. The Chairman and Board are the channels through which the Ministry should be communicating policy and making its views known and if these channels are blocked then communications are bound to fail. Communication is needed to ensure that SLEDIC is working in accordance with the policies and wishes of the Ministry.

54. The current capacity of the Ministry in terms of numbers and abilities is a factor that hinders its capability to develop policies from which SLEDIC can develop its strategies and action plans. A vision for the future economic development of Sierra Leone, covering such issues as industrial policy and competitiveness does not

appear to be in place. Other Ministries, with which SLEDIC should be interacting, particularly in relation to mining, tourism and agriculture, are also affected by a similar lack of capacity.

CHAPTER V

RECOMMENDATIONS

A. Mandate

55. The mandate of SLEDIC currently includes components of investment promotion, export promotion, and SME development. This is confusing, as the lack of clarity in the mission statement of the organisation indicates, and it also means that it is difficult to focus the organisation on clear objectives. The mandate dates from 1993, when the requirements for economic development in the country were different to those that exist today, twelve years later. Organisations such as SLEDIC and their supervising Ministries must guard against falling into the dazed corporate state where they are unable to react to changes taking place in markets and the needs of stakeholders. Changes in the Sierra Leone economy and in the wider regional, continental and world economies need to be constantly considered and mandates reviewed against changed situations.

The Invest in Sweden Agency (ISA), in common with a number of other Nordic IPAs, reviews its achievements through an independent audit, taking into account the strategic importance of each investment and the degree to which ISA was instrumental in securing it. This leads to a robust strategic review of the whole of the organisation at regular intervals. Since its establishment in 1995 there has been a continuous development of the organisation, its strategy and style of working. This is partly a component of policy and partly a reflection of the Scandinavian style of doing things; it is also considered to be a manifestation of the private sector ethos of the agency.

56. As far as SME development is concerned, the Ministry of Trade and Industry is in the process of establishing an SME unit within the Ministry. It is intended that this unit will act as a Project Management Unit for all SME development in Sierra Leone, supervising the implementation of policy through appropriate initiatives throughout the country. It is essential that all facets of SME development should be the responsibility of this new unit. For SLEDIC to retain any specific interest in SME development would be confusing, illogical and represent an unnecessary duplication of functions.

57. In order to give a clear and unambiguous mandate to SLEDIC a division of the organisation into two separate units is needed. This will require an amendment to the 1996 SLEDIC Act to replace the existing organisation with two newly created entities and is expanded on in the following section.

It is recommended that the mandates for the two new units to be established be:

- 1. To secure and maximise investment into Sierra Leone, consistent with the economic and industrial development policies of GOSL.**
- 2. To increase exports from Sierra Leone, consistent with the economic and**

industrial strategies of GOSL.

B. Overall Structure

58. Although there are international examples of combined export and investment promotion agencies, in the majority of cases they are separated into two organisations. The reasons for this include the (often) different markets, the different skills required and the different styles of working involved in export and investment promotion. Within the region, Nigeria, Ghana, Gambia and Senegal all have separate investment and export promotion institutions. With separate organisations, it is easier to ensure that each is focussed on its goals, performance measurement is simplified, and overall management becomes clearer. Such a structure also facilitates the securing of donor support for development and support of the institutions.

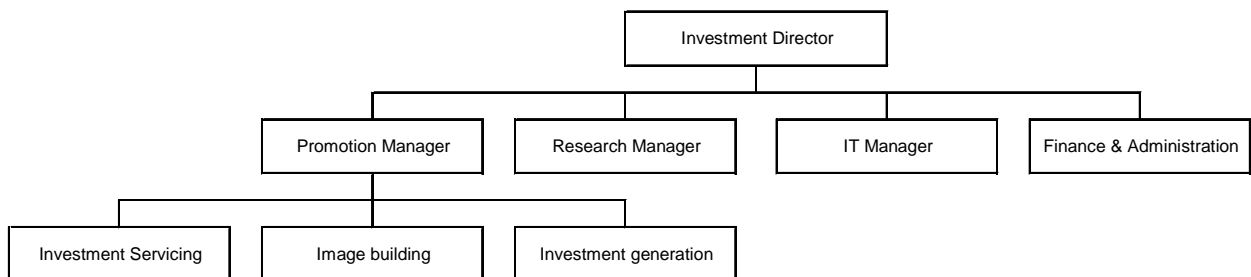
It is recommended that SLEDIC be split into two organisations, the Sierra Leone Investment Corporation (SLIC) and Sierra Leone Export Development (SLED), or similar, with separate offices, separate management structures and separate staffing.

59. An alternative is to structure two separate divisions, one for export promotion and one for investment promotion, within one organisation. This alternative has the advantage of reducing the costs involved through shared facilities, but it is not the preferred recommendation. It would mean that the clear mandates and objectives for the two separate organisations would be lost and there is always the danger that the executives from one unit would become involved in dealing with emergencies that arise in the other unit, leading to a reduction in effort. Additionally, performance measurement becomes confused and it becomes more difficult to involve and engage with the different stakeholders in Sierra Leone for export and investment promotion.

C. Detailed structure

60. The new institution/(s) will need to be built up over a period of time.

It is recommended that the structure of SLIC be:

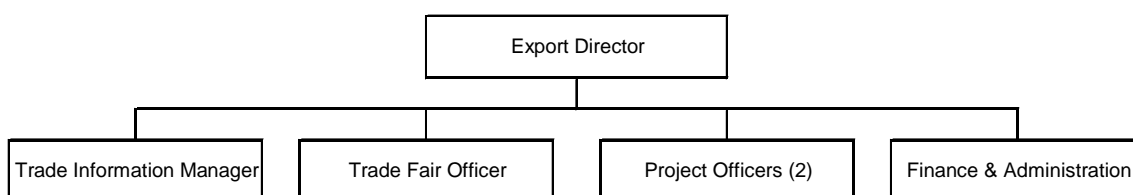


It is recommended that the executive staffing levels be built up over a three year period as shown below:

Position	Year 1	Year 2	Year 3
Director	1	1	1
Promotion Manager	1	1	1
Research Manager	1	1 plus 1	1 plus 1
IT Manager	1	1	1
Finance & Administration Manager	1	1	1
Investment servicing (including OSS)	2	2	3
Image building	-	1	1
Investment generation	-	-	1
Total	7	9	11

The above table does not include support staff.

It is recommended that the structure of SLED be:



It is recommended that the executive staffing levels be built up over a three year period as shown below:

Position	Year 1	Year 2	Year 3
Director	1	1	1
Trade Information Manager	1	1 plus 1	1 plus 1
Trade Fair Officer	-	1	1
Project Officers	1	2	3
Finance & Administration Manager	1	1	1
Total	4	7	8

The above table does not include support staff.

D. Board

61. The current SLEDIC Board has failed to provide direction and has not supervised the activities of the organisation. The reasons for this failure include the fact that a Chairman has not been in post for well over a year, resulting in Board meetings not taking place. Much is written and discussed in Africa on the subject of empowerment. But empowerment brings responsibilities, and those empowered should not shrink from using the power bestowed and need to recognise the responsibilities imposed upon them.

It is recommended that in future, Board members should be appointed on the basis of their abilities to contribute to the achievement of goals and not on political patronage.

It is further recommended that training for Board members and potential Board members be included within any measures that are set up for developing corporate governance standards and expertise as part of any wider Private Sector Development Programs.

62. The new investment promotion organisation, SLIC, requires a Board to:
- ensure that the organisation is working in the interests of, and to the satisfaction of, its stakeholders, particularly the GOSL;
 - appoint a Managing Director and approve the appointments of senior executives;
 - approve the annual budget and work plans.

The majority of IPA Boards are a mixture of the private and public sectors but it is not uncommon to find other representation such as from academia or trade unions. The Jamaican IPA, JAMPRO, has an academic on its Board. The Board of the Invest in Sweden Agency (ISA) is made up from five representatives from the private sector, three from the public sector, including one local government representative, an academic and the Director General of ISA.

It is recommended that a Board, the detailed composition of which will be determined during the drafting of the legislation, will supervise the new organisation, SLIC. It will be similar to the current SLEDIC Board, with a Chairman appointed by the President and Board members drawn from the private and public sectors, including nominees from the Sierra Leone Chamber of Commerce.

63. Much of SLED's focus for export promotion will be on the development of new products for export markets. Although exports from Sierra Leone are currently dominated in value terms by the exports of diamonds (and other mining outputs) there is reduced scope for SLED to promote increased exports from the large scale mining sector. The sector itself, through the operating companies involved, is itself capable of increasing exports. There may be scope for supporting this very important sector through policy advocacy initiatives but not for directly developing exports in the narrower sense. But there is, clearly, huge scope for SLED to identify export opportunities for new products consistent with Sierra Leone's capacities, and opportunities for adding value to existing primary sector production. The two projects currently being implemented for ginger and smoked fish production illustrate these opportunities. This will require research to identify the opportunities followed by the development of the structures that are needed to deliver the products required. This in turn may require new outside investment to be secured to create these structures, in which case SLED will need to be involved, but in the majority of cases the requirement will be for new production and/or marketing structures to be established, in which case the, about to be established, SME unit and its capacities will need to be involved.

64. In the other direction, SLED will also need to provide support for export intelligence and export development to some of the enterprises that will be developed through the SME unit's activities. Thus, much of SLED's work will be in partnership with the new SME unit being established in the Ministry of Trade and Industry.

It is recommended that SLED will be supervised by a committee drawn from the public and private sectors and chaired by a senior official of the Ministry of Trade and Industry. The detailed composition of the committee will be determined during the drafting of the legislation but will include nominees from the Sierra Leone Chamber of Commerce

E. Personnel

65. The Directors of SLIC and SLED must be capable of providing leadership for their respective organisations and must ensure that they remain focussed on their objectives to the satisfaction of their stakeholders. During the establishment of the organisations they will need to provide the leadership needed including the setting of standards.

66. The roles of the Directors should encompass three broad areas of responsibility:

- In conjunction with the Board (committee), the Directors are responsible for developing and articulating a vision for SLIC and SLED and their roles in the economic development of Sierra Leone. In this context they will also supervise the work of their senior executives.
- Management of the relationships with the Board (committee) and its stakeholders, and developing and maintaining relationships with the leadership of public and private sector organisations in Sierra Leone.
- Development and implementation of SLIC and SLED's strategies, work plans and budgets. The Directors need to gain the approval of the Board (committee) for the annual work plans and budgets and provide regular reports on their implementation.

It is recommended that the positions of Director for the new organisations should be advertised internationally at competitive salary levels, in order to attract the best possible candidates. The appointments should be made by the Chairman and Board (committee). Existing staff of SLEDIC may apply for these positions.

67. Positions in SLIC and SLED are not sinecures; results need to be achieved. This applies at all levels within the organisations but is particularly important at the Director level, and needs to be emphasised at all times. The approach of linking the appointments to performance can be facilitated through a fixed term contract.

It is recommended that appointments of Directors should be made on the basis of a renewable two year contract, subject to performance.

The Gambia Investment Promotion and Free Zones Agency (GIPFZA) is planning to introduce a performance-related pay system enabling executives to earn supplements to basic salaries based on the achievement of targets.

68. Salary levels throughout the organisations need to be attractive and competitive in order to attract the right quality applicants and may be supplemented by bonuses paid against the achievement of targets. Such an innovation may be difficult for the new organisations to implement at a time when new skills are being developed, standards are being set and the service oriented cultures of the organisations are being worked up. Nevertheless the introduction of a bonus system is a means of ensuring that the organisation recognises that the achievement of results is the highest priority, and helps to provide a means of rewarding high achievers and thus to retain key executives in the organisation. Its introduction should therefore be delayed until the organisations are established and operational.

It is recommended that a bonus system be developed and introduced after two years to reward executives for high achievements.

Czech Invest is constrained by having to operate within government salary scales but Directors have the flexibility to be able to award bonuses to executives achieving good results and this helps the organisation to retain key staff. For overseas based staff, bonuses are paid according to a points system, with executives scoring points for achievements such as the number of companies from their territories visiting the Czech Republic, the number of press interviews given and the number of promotional seminars arranged.

69. The Executives within SLIC are key for the attraction of investment into Sierra Leone and those in SLED will be key for increasing exports. The personal characteristics required of Executives include:

- The ability to relate to and identify with companies at director level and simultaneously form multi level relationships within companies.
- An understanding of business and industry.
- An ability to talk intelligently about company activities such as production and finance.
- Good communications skills - both listening skills and presentational skills.
- The ability to work, and take the leading role, in the multi disciplined teams which may need to be formed - some large, some small - when an investment project goes ahead.

It is recommended that Executives be recruited with the above qualities in mind. Intellectual capacities and character are more important than product knowledge; the latter can always be taught.

F. Establishment

70. The efforts involved in setting up two new organisations should not be underestimated. A long list of tasks needs to be addressed and the overall project

management of the establishment of the organisations is itself, a major undertaking. The tasks to be considered include recruitment, budgets, accommodation, relationship building, strategy development, the development of work plans, the setting of standards, communications, IT, the detailing of activities, training, performance measurement, statistics and many more.

71. External assistance for individual tasks such as strategy development, training and performance measurement would be beneficial and would not only relieve the workload on the Directors but also provide professional inputs at a critical stage of the setting up of the organisations. Good and well thought out overall strategies are the bedrock for future success and professional support in such areas would be of great value.

The Armenian Development Agency obtained a senior executive on leave of absence from the IDA in Ireland to work in an executive position within the newly created agency to help in its establishment. The appointment was funded by a donor. Over a three year period the executive was able, from an executive position as opposed to working as adviser, to directly contribute to the development of the agency, in addition to passing on skills and knowledge and helping the other senior members of the management team.

72. The overall project management of the establishment of the new institutions will need to be led by the Directors but external assistance and support would again be beneficial. The workload on the Directors will be such that extra capacities will be needed in the early stages of establishment.

It is recommended that donor support for long term and short term specialists to provide support to the new organisations and to help with the project management of their establishment be secured.

G. Work plan

73. The current activities of SLEDIC bear little resemblance to those of a typical IPA outlined earlier in this report and therefore there is not a great deal for SLIC to build on. The efforts required for SLIC to move towards the modus operandi of a typical IPA should not be underestimated. It will take time to develop skills, build up expertise and create a service oriented culture.

74. Phase I of the Administrative Barriers Study has highlighted the lack of available information and information dissemination mechanisms. This problem is particularly severe in relation to investment and needs to be addressed by SLIC.

It is recommended that the new organisation, SLIC, should focus on the assembling and dissemination of information and on providing direct support to potential investors on legal, regulatory and other issues for the first two years before developing investment generation activities in year three.

75. An outline of the information typically requested by investors and which will need to be assembled and regularly updated is given in Appendix II. The

dissemination of information will need to be in response to specific requests, through general promotional materials and through the internet. The development and maintenance of a SLIC web site is thus a priority. The development of promotional materials will require some consideration to be given to image building.

76. Although it is recommended that investment generation should not commence until year three, some limited generation activities will develop through the dissemination of information. The Sierra Leonean diaspora is a group that should be targeted and supplied with information and clearly, represents a source of investment. Multipliers - commercial attachés, investment banks, trade associations, professional advisers and Chambers of Commerce – should also be targeted and supplied with information, as a result of which enquiries from potential investors will arise.

77. A particular requirement for the director of SLIC is the development of relationships with other organisations within Sierra Leone. The securing of investment requires the involvement of a wide range of actors on the investment promotion stage. These include:

- National and local political leaders; the political support for investment is important both from the point of view of potential investors, many of whom will need to be reassured that their investment is politically welcome and secure, and from the point of view of SLIC, which needs funding and support.
- Line Ministries; in addition to the Ministry of Trade and Industry, support from other Ministries will be needed, particularly those responsible for mining, agriculture, fisheries and tourism.
- National agencies such as the Commission for Privatisation, the SME agency and, of course, SLED, all of which may need to be involved with the achievement of SLIC's goals.
- Property officials and professionals; practically all investments will have a property component and investors will need to become involved with property officials and professionals. The problems associated with land ownership and land transfer have been detailed in the Phase I report
- Utility suppliers; water, electricity (and gas) are required by all investors and thus suppliers need to become involved with investors.
- Telecommunications companies; both basic and specialised services may be required by investors and introductions to the companies or authorities responsible for telecommunications need to be made.
- Professional services; introductions to providers of legal, accountancy, architectural or engineering services may be needed.
- National Groupings; chambers of commerce, employers' groupings, labour organisations and others representing industrial or commercial interests may have a role to play in the securing of an investment.
- Local banks and other providers of project finance, whether in the form of equity, loans, leasing or credit finance may need to be involved with potential investors.
- Universities and institutes of higher education; an investment may require special academic or technical skills.

78. The list can be extended further: construction companies, hotels, providers of housing, subcontractors suppliers of goods and services and many more may have a role to play in the attraction of an investment.

CzechInvest attributes its success, in part, to the relationships the organisation has with the Ministries, the regional authorities and the other players on the Czech Republic's investment stage. These relationships were first forged immediately after the institution was established and have been maintained and developed ever since. They have resulted in CzechInvest always having strong government support and thus secure funding. Foreign investment has always been seen as a key component of economic development and economic restructuring in the Czech Republic and the capacities developed by CzechInvest through investment promotion have been gradually utilised in the wider economic development field.

79. In order to achieve the co-operation and support of all the many organisations and individuals who might become involved in the securing of an investment, the aim should be the creation of "Sierra Leone Inc". The concept may be difficult to understand and certainly difficult to accomplish but is a strong factor in the successful attraction of investment.

80. SLIC will be spearheading the national effort to secure investment, but needs to involve many other bodies in order to secure individual investments. If SLIC has the total co-operation and support of these organisations, the synergy created is a huge factor in achieving success. Not only will the support be available when needed but the indirect promotional benefit arising from the networking of all those involved with their business and professional contacts will generate enquiries from potential investors. This multiplying effect can be very powerful and have a massive impact on success.

81. There is no easy and straightforward way to the achievement of this situation. Its development will take time and effort. But the development of internal relationships must be a part of the strategy of SLIC and the director will need to lead this effort. The organisation needs to be inward looking in addition to looking outwards for investment.

82. To move towards "Sierra Leone Inc" it may be helpful to consider some of the following:

- The case for investment into Sierra Leone and the objectives of SLIC need to be championed at all times. This requires good internal public relations and communications to raise the profile of SLIC. Thus press communications, presentations to business groups and individual meetings with business and organisation leaders are needed.
- Investment plans and intentions are usually highly confidential but information needs to be shared with others. Clearly, confidentiality requirements must not be broken, but the sharing of information helps to secure support and co-operation. It will be beneficial to SLIC and to achieving success in attracting investment.
- Whenever an investment is concluded SLIC needs to consider pushing the success towards others rather than trying to claim it for the organisation.

There may well be long-term benefits in so doing. It may of course happen anyway; success tends to have many parents while failure is usually an orphan.

It is recommended that the Director of SLIC has a strong focus on the development of internal (within Sierra Leone) relationships.

H. Performance measurement

83. Organisations such as IPAs need to ensure that their resources are being allocated efficiently over time and thus information on the performance of the institution is required. Such information is important for internal management and for those wishing to evaluate the performance of the organisation. Information is required on both the activities undertaken and the results achieved; a performance measurement system is frequently used to provide this information.

84. Generally, IPAs need to be successful in order to receive the full support of political leaders and thus secure sustainable funding. Ultimate success for most IPAs will be measured by the amount of FDI that they are able to attract into the country, consistent with the economic and industrial development policies of the national government. Excellence in investment promotion or research or any of the other components of an IPA is not sufficient; these are all means to an end and the IPA will ultimately be judged on actual foreign investment inflows to the country.

The Welsh Development Agency operates a performance measurement system based on three targets - number of projects, amount of capital investment and number of jobs forecast. These targets are set annually and are linked to the annual budget. An example of the way in which the Agency records the statistics on investment enquiries, which are used to analyse the effectiveness of promotional expenditures and as an indicator of future investments, is shown in the box below.

85. The introduction of targets and monitoring instruments allow the management of IPAs to evaluate performance and also help to focus all staff within the IPA on the “raison d’être” of the organization and the goals to be achieved. Performance measurement is also a potentially valuable instrument for changing attitudes and mind-sets in the move to develop the culture required for a service and results oriented organization.

86. Performance targets can be mapped down to activity targets for departments and individuals. In many cases the activity targets can be achieved by simply performing a function. The production of a certain number of brochures, for instance, can be achieved by performing the assigned function. But the setting of overall performance targets and focusing the whole organization on their achievement helps to ensure that activity targets are directed towards the wider goal.

Czech Invest sets clear measurable targets based on number of projects, the number of jobs forecast and the amount of capital investment for a three year period, linked to their three year strategy. Targets are reviewed every year and linked to the next year’s work plan.

87. Where targets are being introduced for the first time, and where there is no track record available to help in setting initial targets, then there is clearly the danger that they may be unrealistic. For this reason, targets may be set and discussed only internally within the IPA – there is a danger that outsiders who are not familiar with targets and the nature of the investment promotion process may interpret them as actual investments to be secured. This can expose the IPA to potentially damaging criticism in the event of the targets not being achieved.

88. There is not one single performance indicator that can capture all the activities of an investment promotion agency. Many IPAs choose to measure some or all of, number of investment projects secured, amount of capital invested, number of jobs projected and value of forecast exports. Another decision is whether to include all investment projects or just those in which the IPA played a significant role in the process.

An analysis of the investment enquiries received by a UK Regional Development Agency over a six-month period.

Source of enquiry	Domestic	North America	Asia/Pacific	Japan	Europe	Rest of World	Total
Overseas offices ¹	-	18	12	6	21	-	57 (13%)
Direct ²	94	7	2	-	7	1	111 (26%)
Telephone ³	92	7	2	-	18	3	122 (29%)
Consultants	12	4	3	1	4	1	25 (6%)
Other multipliers ⁴	32	8	7	-	5	2	54 (13%)
Web site ⁵	10	17	2	-	8	1	38 (9%)
Recommendations ⁶	2	-	-	1	-	1	4 (1%)
Seminars/exhibitions	9	1	-	-	3	-	13 (3%)
Total	251 (59%)	62 (15%)	28 (6%)	8 (2%)	66 (16%)	9 (2%)	424

Notes

1. The agency has overseas offices in Europe, North America, Japan, and elsewhere in Asia which generated 13% of the enquiries.
2. A large number (26%) of enquiries are received directly by the project executives within the agency. This is partly a reflection of the fact that the agency is well established, has a good reputation and a high profile, but more importantly it reflects the fact that the project executives themselves are, through their networking activities, well known.
3. The agency has a high profile and high awareness among potential investors as a result of its long track record and its long and sustained promotional program, including media relations, participation in exhibitions, brochures and advertising, although the amount of advertising which it currently carries out is very little. The result of this long-term promotional program is that it now receives a very high number (29%) of direct telephone enquiries.
4. The enquiries received from multipliers (including consultants which are shown separately) is 19%.
5. The number of enquiries arising from the web site is 9% of the total, with the main visitors being from North America, Europe and domestic (UK). The agency expects the number to increase further in the future.
6. The agency has a very good aftercare program in place and receives a small number (1%) of recommendations for potential investors from the existing investors in the region.

89. The overall performance targets for an IPA can be supplemented with activity targets for departments (and further to individual executives). If achieved, these activities should lead to accomplishment of the overall targets. This framework ensures that the organization is working to the common goal of achieving the desired results.

It is recommended that a performance measurement system be introduced to SLIC, with ultimate performance being measured by the actual investment secured in Sierra Leone.

I. Budgets

90. For most national governments, investment promotion and export promotion are important instruments for use in the implementation of economic development policies. The institutions involved are therefore usually funded by national governments. It is encouraging that in Sierra Leone this principle is accepted; it indicates the commitment of the Government of Sierra Leone to economic development.

91. The question of whether investment and export promotion agencies should charge users for their services is often raised, particularly where governments have financial constraints and are seeking to develop other revenue streams for funding institutions. The justification usually put forward is that the services of the institutions are so valuable that users will be prepared to pay for them. But in the case of investment there is a danger that such a move will suggest to investors that the IPA is a private company with commercial interests and will create a negative image.

92. In the majority of cases IPAs do not have the capacity and skills to be able to compete with private consultancies and, more importantly, the practice of charging potential investors is not consistent with a welcoming attitude to investment.

An attempt to introduce charges to investors was made by the Investment Promotion Agency in Slovakia during the early stages of its development, and also commissions for land and property deals in which the agency was involved were requested. The move was not a success and was eventually discontinued. Investors have a free choice of location for their investment and expect the services of a national IPA to be provided free of charge. Commissions on land transactions and other introductions can be regarded as a form of corruption and also tend to reduce the ability of the IPA to seek the best possible deal for the investor.

It is strongly recommended that SLIC does not consider charging investors for information, registration services or other support in order to generate income.

93. Support for the institutional changes being introduced and for the activities that will be undertaken by the new institutions may well attract donor support, particularly where there is strong commitment by the Government of Sierra Leone to the reforms.

It is recommended that SLIC and SLED actively seek financial support and technical assistance from donor agencies.

94. As has been stressed earlier, executives in SLIC and SLED need special skills and without the required professionals it will be difficult for the organisations to be successful. The qualities required by executives are a private sector culture, strong inter personal skills and a commitment to achieving results. The compensation packages needed to attract the right quality people cannot normally be provided within a civil service structure and must be competitive with the private sector.

95. Consideration needs to be given to compensation packages reflecting the achievement of results. This not only helps to create competitive packages but also helps to ensure that executives are focussed on results. This approach also helps with future negotiations with the government on budgets in that it is easier to request and justify increased funding where this is directly linked to increased results in the form of increased investment into Sierra Leone. It was suggested earlier that the introduction of a performance related component of salary or bonus system linked to achievement, should be introduced in year three.

96. The experience of other IPAs suggests that the ratio between basic costs (salaries and overheads) and promotional costs are in the region of 40:60. In the case of SLIC where it is not anticipated that there will be major promotional expenditures during the early years this ratio will not apply but may be a useful indicator for future budgetary considerations. There will, however, be start up costs covering equipment, furniture and training that will need to be covered in budgets.

97. A detailed budgetary proposal is beyond the scope of this report but an indicative budget is given below.

Indicative budget for SLIC (US\$)

	Year 1	Year 2	Year 3
Salaries (note1)	110,000	135,000	160,000
Overheads (note 2)	25,000	30,000	35,000
Other costs (note 3)	90,000	40,000	45,000
Promotional costs (note 4)	30,000	40,000	70,000
Total	255,000	245,000	310,000

Notes

1. Based on suggested staffing levels indicated earlier and provides for a total reward package including bonuses for the achievement of targets in year 3.
2. Covers rental of office premises, power, telephone charges, internal (within SL) travel costs and general office running costs.
3. Provides for expenditures on office furniture, computing and telecommunications equipment, training and the purchase of a vehicle in year 1.
4. Based on minimal promotion in the first two years; includes the costs for promotional materials.

J. Ministry of Trade and Industry

98. The Ministry of Trade and Industry is the supervising Ministry for SLIC, SLED and the SME Agency. As has been emphasized, these institutions are vitally important, both for the future economic development of Sierra Leone and for the development of the Private Sector.

99. **The Ministry must become more demanding as far as results from the institutions are concerned and this can be achieved through the representation of the Ministry on the Board and supervising committees, and particularly through the Chairmen.**

100. It is important that the Ministry itself does not become involved in the day to day operations of the institutions but exerts its control through the Chairmen and Board members. The Ministry and its staff are oriented towards dealing with policy, legal and regulatory issues. This should remain its main priority and any involvement in the implementation of policy and related issues should be avoided. SLIC, SLED and the SME agency all require a private sector culture and this is a major reason for their institutional structure. While the agencies concentrate on the execution of Ministry policy, the Ministry itself needs to concentrate on the equally important tasks of addressing legal, regulatory and policy issues.

101. There is clearly a role, indeed a need, for the Minister her (his) self to become involved with the agencies in relation to promotional efforts, particularly outside the country. Potential investors and trading partners need to be reassured on issues such as political stability and policy, and that investment and trade have full government support. The involvement of the Minister is thus important in order to provide these reassurances. Ministerial statements and the content of Ministerial speeches have an impact and are noted in the business and investment communities.

102. While this requires the agencies to provide advice, guidance and feedback to the Ministry, it is important that the agencies do not become an arm of the Ministry and start to act as a Ministerial back office. This would serve to divert the agencies from their mandates and the achievement of their targets and needs to be avoided.

K. Timing

SLEDIC restructuring							
	Year 1				Year 2	Year 3	Year 4
	Q1	Q2	Q3	Q4			
Establishment of new structure							
Redraft and gain approval for Act		█	█	█			
Appoint Chairman		█	█	█			
Advertise and appoint Senior staff		█	█	█			
Enlist support of donors		█	█	█			
Appoint staff			█	█			
Confirm funding			█	█			
Utilise donor support				█	█	█	█

ANNEX

Information typically requested by companies in relation to an investment

General

Geography, political, ethnic and religious groupings - country and regions
Populations and breakdown - age, sex, religion - country and regions
Maps
Culture
Investment opportunities

Economy

Economic history
Economic structure
Economic performance
Investment ratings
Future prospects
Inflation rates
National Bank

Political

Constitution
Political history, structure and stability of country / region
Political parties
Attitude of government towards foreign investment
Local political structures

Legislation

Legislation, regulations and procedures applying to foreign investment
Commercial legislation
Intellectual property legislation
Legal system, enforcement and procedures
Settlement of disputes

Company formation

Forms of legal entities permitted
Shareholding regulations
Company registration authority
Company registration procedures
Corporate financial structure regulations
Details of possible joint venture partners

Markets

Size of local and regional markets
Regional trade blocs
Distribution networks

Finance

National and local taxation regime
Depreciation and other allowances
Repatriation of profits
Sources of funding:
 Equity
 Venture capital
 Loan
 Leasing
 Overdraft
 Trade finance
Interest rates
Banking structures
Transfer pricing regulations
Investment guarantees
Investment insurance
Audit requirements

Currency

Convertibility
Stability (historical against major currencies)

Exports / Imports

Support structures for exports
Export credit guarantees
UStoms procedures
Certification
UStoms duties
Chamber of Commerce structures
Export quotas

Property

Legislation on land and property
Ownership legislation
Availability of land and premises (including details of utilities and transportation)
Availability of EPZs
Typical land and property costs (purchase and rental)
Construction costs
Planning permission requirements and procedures
Environmental legislation and authority

Labour

Demographics
Skill availability
Education institutes
University structures and output of graduates
Employment legislation
Union structures and legislation
Wage and salary rates, including on-costs
Training support
Training providers
Recruitment support
Recruitment companies
Expatriate quotas

Expatriate employment visa requirements

Transportation

Availability – road, rail, air and sea

Costs:

sea freight e.g. a 40ft container from Freetown to Rotterdam

Airfreight

Road freight

Rail freight

Fuel costs

Transportation times

Transportation companies in Sierra Leone

Shipping lines serving Sierra Leone

Airlines serving Sierra Leone

Utilities

Availability (power, gas, water)

Standby power units

Cost structures, including standby

Telecommunications

Details of providers

Services available

Costs

Suppliers / services

Availability

Professional services

Availability of subcontract services

Standards and certification capabilities

Raw materials

Availability and costs

Lifestyle

Housing – availability and costs

Schools – availability and costs

Health care availability

Leisure facilities available

Residence-permit requirements and procedures

Crime statistics

Security needs and providers

Other

Information on existing foreign investors, by sector and by country of origin

Research institutes

Corruption

Incidence of HIV

