

GOVERNMENT OF SIERRA LEONE

Towards an Effective Special Economic Zone in Sierra Leone

VOLUME I:

Situational Analysis, Policy Review, Stakeholders' involvement and Location Analysis

Final Report

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Forward

Executive Summary

This situation analysis and policy review exercise is undertaken to appraise, update and finalize Sierra Leone's draft 2013 SEZ Policy. The document aims to assist in the design of strategies that will lead to the development of an internationally reputable and functional SEZs in the country. Such strategies are important for the selection of SEZs locations, design of guidelines for the development of a legislation, creation of employment opportunities, transfer of technology and development of human resources. The resulting SEZ policy will account for the influence of the latest global developments and consistent with the overall growth strategy of the Government.

The Sierra Leone industrial sector remained underdeveloped and requires urgent attention. The sector contributed an average of 9.32% to national output between 2010 and 2019, making it one of the least industrialized countries in Africa. The average industrial sector share of GDP declined from 32% in the early 1990s to 5% during 2015-2019 period, with mining and quarrying (dominated by diamond and other related precious metals), being the main activity. In fact, industrial output growth deteriorated noticeably over the period 2010-2020, though the trend remained positive for most of the years. The industrial sector employs only about 6% of total employment in the country, as exports are dominated by primary products, while refined and manufactured products are the major components of imports.

The development of a workable SEZ policy is critical to the transformation of the industrial sector towards boosting the economy of the country. Presently, Sierra Leone has only one SEZ (First Step, which was established in 2012). Analysis of the growth performance of the industrial sector, especially as observed in the early 2010s, suggests that the sector could effectively drive growth provided that clear and useful SEZ policies designed and implemented. However, successful SEZs development in Sierra Leone is threatened by economic instability and the unfavourable business atmosphere.

Most macroeconomic indicators also signify the lack of stability and poor business environment in the country. For instance, Sierra Leone continues to battle high and rising price level, while average interest rates remained higher than what obtained in the more industrialized non-oil rich economies in Africa such as Senegal, Botswana and Zambia. Thus, cost of inputs and cost of living remain high.

Business environment in Sierra Leone is generally weak. In terms of cost of export, documentary compliance cost is one of the highest on the continent. For cost to import, documentary compliance is more costly in Sierra Leone than most countries in Africa irrespective of the level of industrialization. Again, time to import is higher in Sierra Leone than in most African countries as indicated by border and documentary compliance. These are key indicators of costs of doing business, which serious implication for investment inflow into the proposed Special Economic Zone.

Facilitating the activities in the SEZs requires upgrading the communication facility as well as usage, enhancing workers skills, promote human capital development and attract quality foreign direct investment. The human capital index for Sierra Leone also stood at 0.35 during 2010-2019, indicating that human capital development is among the lowest on the continent. This signals the need to promote human capital in order to internalise the benefits of the Special Economic Zone. In Sierra Leone, foreign direct investment (FDI) contributes little to output in Sierra Leone. The low institutional capacity of the country may be a major challenge for the performance of the economy it recorded negative values on all indicators of institutional capacity, suggesting the need for urgent institutional reform critical for SEZs and industrial sector development.

Recently, the National Trade Strategy identified some priority products which are mainly manufactures and are expected to be the focus of SEZ. These products are coconut and groundnut oil, cocoa paste, sesamum seeds, natural honey, Bovine meats, pineapples and mangoes, fruit juice, soap, chemical or alcohol disinfectants/sanitizers, cosmetics, pigments and preparations containing titanium dioxide (colouring, sunscreen or paint), wooden furniture, and textile face mask. The new SEZ policy is expected to accommodate the emerging global and regional issues such as climate change, gender issues,

occupational and safety as well as labour issues and the recent African Continental Free Trade agreement.

In line with international best practice, the Sierra Leone Special Economic Zones Authority (SSEZA), will oversee the administration, development and strategic direction of the Zones. The Authority will be flexible and free from civil service rules with power to make independent decision and will be autonomous in discharging its roles including issues relating to staffing, budget, spending and policymaking. Key stakeholders who participated in the consultative meetings and survey emphasized the need to avoid creating institutional conflict through overlapping regimes, responsibilities, and accountabilities, and that the ease of getting approvals for setting up a SEZ as well as the ease of process of acquisition of land for SEZ are important elements of the industrial policy.

In setting up a functional SEZs, the Sierra Leone SEZ Authority (SSEZA) will have a Board of Directors to oversee the strategic direction and SEZs operation in the country, and an administrative committee to be set up for each SEZ to run the daily affairs following the regulations and guidelines of the SSEZA. Stakeholders indicated the need for Free Trade Zones (FTZ) in Sierra Leone, Export Processing Zones (EPZ) and Comprehensive Special Economic Zones (CSEZ), but the Enterprise Specific-single Factory will also be considered following its successful implementation in countries such as Guatemala, Mexico and Tanzania. In terms of the model for developing the SEZs, there are overwhelming support for a private sector driven SEZ development model, and this will be considered.

For effective SEZ development and operation, balancing authority and independence with inclusiveness must be a key element of institutional mechanisms underpinning the SEZ regulatory authority must balance. Also, there must be decentralization of zone authorities to allow opportunities for competition and innovation, while effort must be made to ensure strong institutional authority and coordination in the SEZ development and operation. Moreover, building a world-class modern SEZs requires adequate consultations and cooperation among ministries and all stakeholders with clear responsibility. Different areas of partnerships are as follows:

- Partnership among Government Ministries, Departments and Agencies (MDAs)
- Partnership with the Private Sector and Civil Society
- Partnership with the External Stakeholders

There is need to set up a National Coordinating Committee to coordinate all stakeholder engagements and discussions on SEZ-related issues. This should be a responsibility of the Ministry of Trade and Industry. Highly skilled staff must be recruited for the SSEZA while existing ones are trained adequately.

The key factors to consider in selecting SEZ selection and location are well highlighted. Analysis suggests that the Western province could be a good location for SEZs based on air transportation. On sea/water transport, the Western Province (Freetown) could naturally be a good choice for locating SEZs based on seaport. Although different energy generation modes are used in different parts of the country to provide the country's energy needs. However, hydroelectric power is the main Sierra Leone's energy source. The Bumbuna hydropower plant, located in the country's Northern Province, produces the most electricity consumed as it generates more than half of the country's total electricity. Other hydro-power plants exist in the country, including the 3MW Bankasoka Hydropower in Port Loko (in the Northwestern Province) and the upgraded 6MW Dodo mini-hydro dam in the Eastern part of the country. It would thus be encouraging citing SEZs in any of these Provinces to take advantage of the easy tapping of electricity to promote industries. A decision on the location of SEZs based on mineral resource availability would favor Sierra Leone's Northern, Eastern and Northwestern Province with abundance of natural resources. Such as diamond, gold and iron-ore.

The findings from the policy review exercise inform the articulation of some policy recommendations with actions plan presented in Table 27. At least sixteen activities are recommended, along with detailed

actions, responsible agency and timeline for each activity. The detailed policy prescriptions and monitoring and evaluation (M&E) framework are provided in the volume II.

List of Acronyms

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
ARIPO	African Regional Intellectual Property Organisation
AU	African Union
BA	Bonded Areas
BOA	Bank of Agriculture
BOI	Bank of Industry
CBA	Cost Benefit Analysis
CEDAW	Convention on the Elimination of Discrimination Against Women
CIT	Corporate Income Tax
CKD	Completely Knocked Down
COVID-19	Corona Virus Disease
CSEZ	Comprehensive Special Economic Zones
DSTI	Directorate of Science Technology and Innovation
ECOWAS	Economic Community of West African States
ECOWIP	ECOWAS Investment Policy
EIZ	Eco-Industrial Zone
EPA	Environment Protection Agency
EPC	Export Promotion Council
EPZ	Export Processing Zone
ES	Enterprise Specific Single
FDI	Foreign Direct Investment
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIZ	German Agency for International Cooperation
GOR	Government of Rwanda
GOSL MTNDP Plan	Government of Sierra Leone Medium-Term National Development Plan
GSTA	General Services Tax Act
HEP	Hydro-Electric Power
HIV	Human Immunodeficiency Virus
HZ	High Tech Zones
IDEC	Industrial Development and Exports Council

INA	Information Not Available
IP	Industrial Park
IPC	Investment Promotion Council
JET	Jobs and Economic Transformation
KSEZ	Kigali Special Economic Zone
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MFD	Maximise Finance for Development
MoPED	Ministry of Planning and Economic Development
MOU	Memorandum of Understanding
MRU	Mano River Union
MTDP	Medium Term Development Plan
MTI	Ministry of Trade and Industry
MTNDP	Medium Term National Development Plan
NCCSEZ	National Coordinating Committee on SEZ
NCCT	National Coordinating Committee on Trade
NCCT	National Coordinating Committee on Trade
NDP	National Development Plan
NEPZA	Nigeria Export Processing Authority
NMTDP	National Medium Term Development Plan
NPPA	National Public Procurement Act
OPII	Office of the President Infrastructure Initiative
PPP	Public Private Partnership
R&D	Research and Development
RDB	Rwanda Development Board
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goals
SEZ	Special Economic Zone
SEZAR	Special Economic Zones Authority of Rwanda
SIERRATEL	Sierra Leone Telecom
SLIEPA	Sierra Leone Investment and Export Promotion Agency
SME	Small and Medium Scale Enterprises
SMI	Small Medium Industry
TQM	Total Quality Management
TVET	Technical and Vocational Education and Training

UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNICEF	United Nations International Children's Emergency Fund
UNIDO	United Nations Industrial Development Organisation
UNSCR	UN Security Council Resolutions
US	United States
USD	United States Dollar
WACIP	West African Common Industrial Policy
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

PART I: INTRODUCTION

1.1 Background

The role of development policies and programmes in economic growth and development has been well established in the literature and demonstrated by some industrialized economies such as the United States of America and China. Well-designed and implemented development policies and programmes have aided the resuscitation of crumbling and war-battered economies (Chen and Xie, 2019). It has been acknowledged in the literature that ownership and exploitation of natural resources alone are not sufficient conditions for development. Hence, there is need for policies and programmes that will facilitate the effective use of natural resources for development.

Over-dependence on mineral resource exploitation has hampered economic development in Sierra Leone. The successive governments and the entire populace believe that exploitation of resources endowment (titanium, bauxite/aluminium and iron and diamonds) is sufficient to generate foreign currency earnings for investment and maintenance of the workforce. As a result, government has largely neglected large-scale agriculture production, industrial development and sustainable investments. Since the end of the civil war, the country has continued to face the daunting challenge of enhancing transparency in managing its natural resources and creating fiscal space for development. Problems of poor infrastructure and widespread rural and urban impoverishment persist despite remarkable strides and reforms (Jalloh, 2013).

Government and development partners have, therefore, come to realize that harnessing Sierra Leone's potential to meet the growing demand for jobs and sustainable and equitable growth will largely depend on its ability to articulate and implement sound macroeconomic and industrial policies including special economic zone (SEZ) policy to speed up diversification of the economy and creation of employment. The SEZ has a number of usefulness including addressing the market failures and binding constraints that defy other options; aiding technology transfer, promoting skills diffusion and training; forging inter-firm linkages in local economy; and generation of employment opportunities.

It is against the foregoing background that the United Nations Economic Commission for Africa (UNECA) supports the Sierra Leone Government in the design of an effective SEZ policy to aid industrial growth and development of the country.

1.2 Objectives of the Special Economic Zones Policy

The primary goal of the Special Economic Zones policy of Sierra Leone is to fully integrate the scheme into the national development programme. Some of the specific objectives of the SEZ policy are to (a) provide a road map for the development and management of Special Economic Zones in Sierra Leone (b) provide a reference for the development and operation of Special Economic Zones in Sierra Leone; (c) harmonise stakeholders views as regards guidelines, procedures and other operational details for effective operation and management of Special Economic Zones in Sierra Leone; (d) ensure that the zones operate with international best practices; and (e) ensure that government provides a stable and sustainable environment where the Special Economic Zone scheme can be nurtured.

PART II: SITUATIONAL ANALYSIS OF SIERRA LEONE ECONOMY FOR SEZ DEVELOPMENT

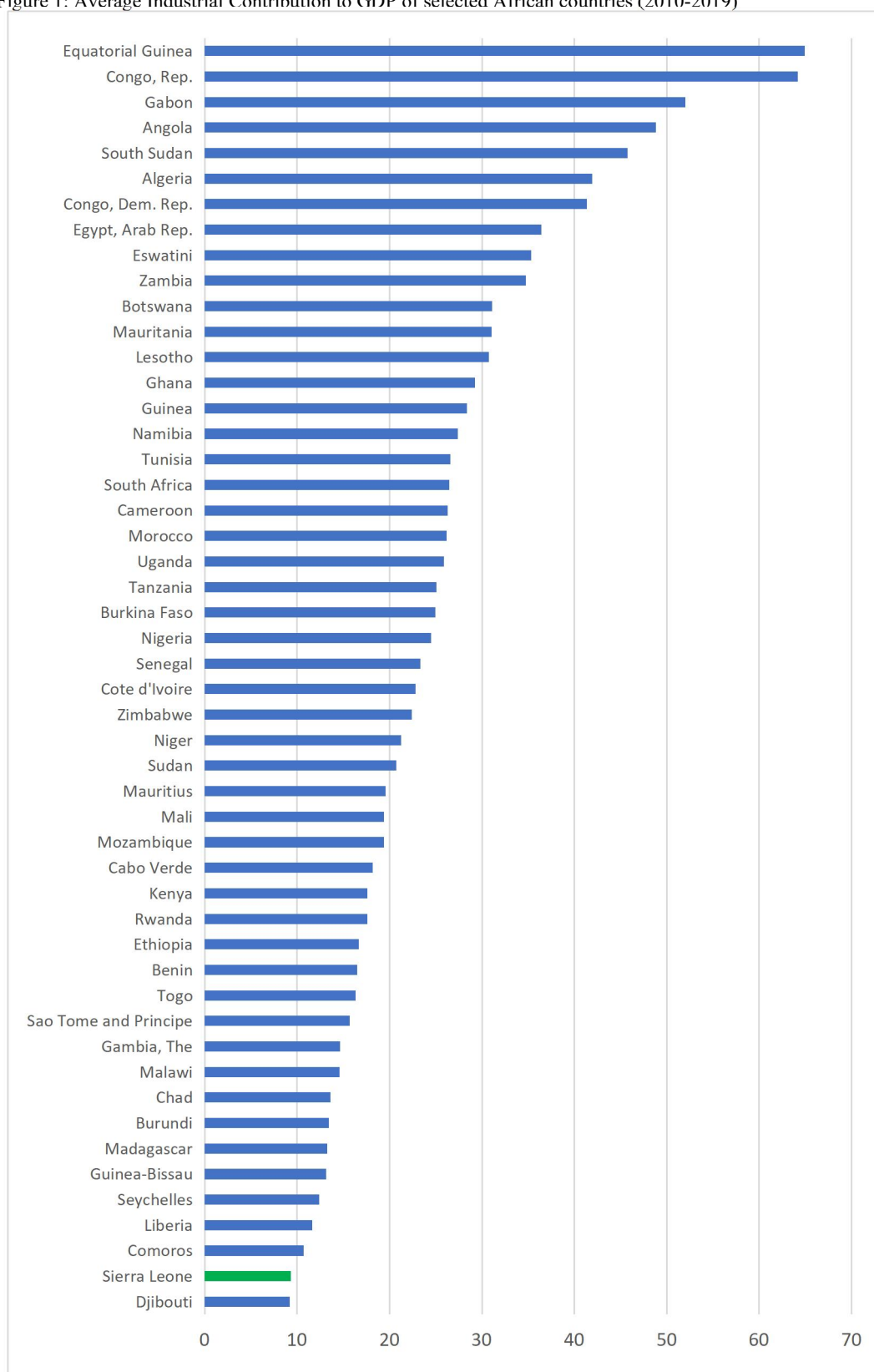
2.1 *Profile of major resources endowment and comparative advantage for SEZ Development in Sierra Leone*

Before the discovery of mineral resources, Sierra Leone greatly relied on agricultural resources for the survival of its citizens. For instance, Agriculture, including Forestry and Fishing, is the biggest sector that contributes between 40%–50% of GDP. Sierra Leone has high potentials in Cocoa and Coffee plantations as well as Fishing. It is well endowed with mineral resources such as Diamond, Gold, Bauxite, Iron ore, and recently Crude oil. However, natural resource endowment has been linked with the outbreak of civil conflicts in West African countries including Sierra Leone.

Available natural resources in Sierra Leone are important drivers of comparative advantage in the country, which may be instrumental to the development of SEZs. For instance, the country can leverage on a number of forest products such as timber, as well as precious and other metals. Both local and foreign industries should be encouraged to use all these resources for production in the Special Economic Zone so that the country will have comparative advantage over others.

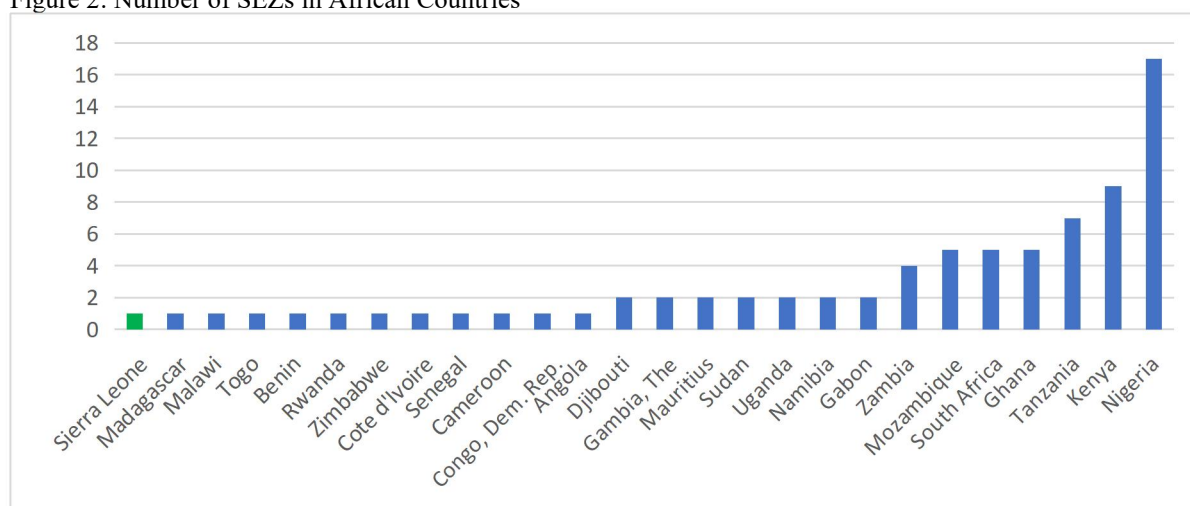
Industrialization level is generally low in Africa, with only oil rich economies recording above average industrial contribution to GDP. Using data from the World Bank, Figure 1 plots the share of industrial sector output in total national output for African countries. The Figure shows three categories of countries: the most (greater than 35%), average (middle- 20%-35%) and the least (less than 20%) industrialized countries. The top industrialized economies on the continent are oil rich, and industrialization process in those countries are largely driven by mineral production and export. The average contribution of industrial sector to national output in Sierra Leone averaged about 9.32% in the last decade (2010-2019), ranking among the least industrialized countries in Africa. Some of the least industrialized countries include Liberia (11.64%), Comoros (10.69%), Djibouti (9.18%) and Rwanda (17.59), while the mid-industrialized countries include Eswatini (35.35%), Zambia (34.76%), Botswana (31.09%), Mauritania (31.01%) and Lesotho (30.75%). Again, the number of Special Economic Zones (SEZs) in each African country is presented in Figure 2. The only SEZ in Sierra Leone is First Step, which was established in 2012. Surprisingly, the level of industrialization appears not to correspond to the number of SEZs in each country, but the quality of business environment created by the country as well as the quality of service provided by the SEZs. For comparative purpose, the situation analysis of the Sierra Leone economy for SEZ development is conducted relative to African non-oil rich economies, all of which are least and mid-industrialized economies. The selected least industrialized economies are Djibouti and Rwanda who have who also have only one SEZ each, while the selected mid-industrialized economies are Zambia and Senegal with four and one SEZs respectively. In addition, Botswana (more industrialized) and Liberia (least industrialized) are added, though no evidence of any active SEZs is found.

Figure 1: Average Industrial Contribution to GDP of selected African countries (2010-2019)



Source: World Bank, World Development Indicators (Online)

Figure 2: Number of SEZs in African Countries



Source: Computed from Newman and Page (2017)

2.2: Growth, Industrial Development and Current State of Macroeconomic and Business Environment for SEZ Development in Sierra Leone

2.2.1 Overview of Growth and Structure of the Sierra Leonean Economy

Sierra Leone recorded an impressive growth performance during the 2000-2014 period with growth rates that are greater than those of some of the more industrialized countries on the continent. For instance, average output growth reached a peak of about 10.42% during 2010-2014 (Table 1). Average GDP growth rate however declined sharply to -0.27% between 2015 and 2019, the least growth performance among all selected countries. This growth performance appears to be driven by the activities in the mining and quarrying sector, especially precious metals, whose production and prices are largely driven by global demand. Rwanda recorded its highest average growth rate of 15% between 1995 and 1999 as the only higher (maximum) growth performance than Sierra Leone among the selected countries.

Table 1: Growth of National Output

Country	1990-94	1995-99	2000-04	2005-09	2010-14	2015-19
Selected Least Industrialized African Countries						
Sierra Leone	-2.777	-2.463	8.527	5.075	10.423	-0.274
Rwanda	-11.480	15.000	7.940	8.730	6.964	7.363
Comoros	1.191	1.911	3.906	2.697	3.540	2.880
Djibouti	-	-	-	-	7.062	7.126
Liberia	-	-	-5.210	7.061	6.340	-0.037
Selected Average industrialized African Countries						
Eswatini	6.302	3.465	2.940	3.763	3.242	1.994
Botswana	4.539	6.259	3.128	3.958	6.912	2.591
Lesotho	5.892	2.921	2.883	4.285	3.999	1.488
Mauritania	0.941	3.609	1.665	4.939	3.938	3.636
Zambia	-0.815	3.439	5.540	8.097	6.643	3.188
Senegal	0.881	4.549	4.198	3.834	3.915	6.356

Source: Calculation based on data from World Bank World Development Indicators (WDI)

The contribution of the Sierra Leone agricultural sector to national output over the last three decades was higher than those of other major sectors. Table 2 shows that average share of agricultural output in total GDP increased from about 39% during 1990-1994 to 59% during 2015-2019, though there were frequent fluctuations. However, the average industrial sector share of GDP

declined significantly from 32% in the early 1990s to 5% during 2015-2019 period. In contrast, average contribution of services sector to national output rose by about 10 percentage point between the 1990-1994 and 2015-2019 periods to reach about 33%. Thus, while the contribution of agricultural sector declined across other selected countries as the service sector continues to play a leading role, agriculture remains dominant in Sierra Leone.

Table 2: Sectoral contribution to GDP (%)

Country	Indicator	1990-94	1995-99	2000-04	2005-09	2010-14	2015-19
Selected Least Industrialized African Countries							
Sierra Leone	Agriculture	38.872	52.366	48.241	52.155	51.581	58.695
	Industry	32.008	29.505	13.118	9.134	13.406	5.239
	Services	23.445	13.928	33.781	35.247	32.275	32.934
Rwanda	Agriculture	36.282	44.021	37.346	28.858	24.413	24.796
	Industry	20.755	18.681	18.545	16.432	17.739	17.437
	Services	42.963	39.145	51.081	48.137	49.096	49.172
Liberia	Agriculture	-	-	73.788	63.732	40.180	37.019
	Industry	-	-	4.710	6.991	12.233	11.041
	Services	-	-	21.581	30.037	47.590	50.161
Comoros	Agriculture	29.376	29.376	29.376	29.376	30.391	31.627
	Industry	12.206	12.206	12.206	12.206	11.591	9.565
	Services	54.535	54.534	54.534	54.534	53.534	54.202
Djibouti	Agriculture	-	-	-	-	1.211	1.328
	Industry	-	-	-	-	11.546	13.739
	Services	-	-	-	-	80.415	78.008
Selected Average Industrialized African Countries							
Botswana	Agriculture	4.363	3.606	2.559	2.293	2.416	2.037
	Industry	50.250	44.672	42.694	38.588	32.237	29.935
	Services	36.538	45.141	46.713	49.094	55.564	58.852
Eswatini	Agriculture	9.343	11.015	11.792	10.432	9.886	8.785
	Industry	36.405	37.232	39.260	39.905	36.510	34.191
	Services	40.144	35.443	45.715	47.522	49.555	52.452
Lesotho	Agriculture	9.031	8.116	6.970	5.475	4.575	4.699
	Industry	28.135	31.113	36.598	36.761	30.728	30.767
	Services	54.468	54.525	49.327	53.180	53.650	51.690
Mauritania	Agriculture	27.122	26.519	24.205	18.569	16.486	20.396
	Industry	25.653	28.845	28.335	36.662	37.364	24.663
	Services	41.173	38.970	41.981	39.011	39.456	45.108
Zambia	Agriculture	19.518	15.086	15.647	12.581	8.679	4.153
	Industry	42.016	29.999	24.062	30.074	32.839	36.687
	Services	27.460	43.003	49.263	48.902	52.607	53.308
Senegal	Agriculture	17.719	17.678	15.128	14.003	13.950	14.697
	Industry	20.911	21.197	21.523	21.471	22.939	23.754
	Services	51.421	50.353	51.237	53.034	53.400	51.805

Source: Computed, Data from World Bank World Development Indicators (WDI)

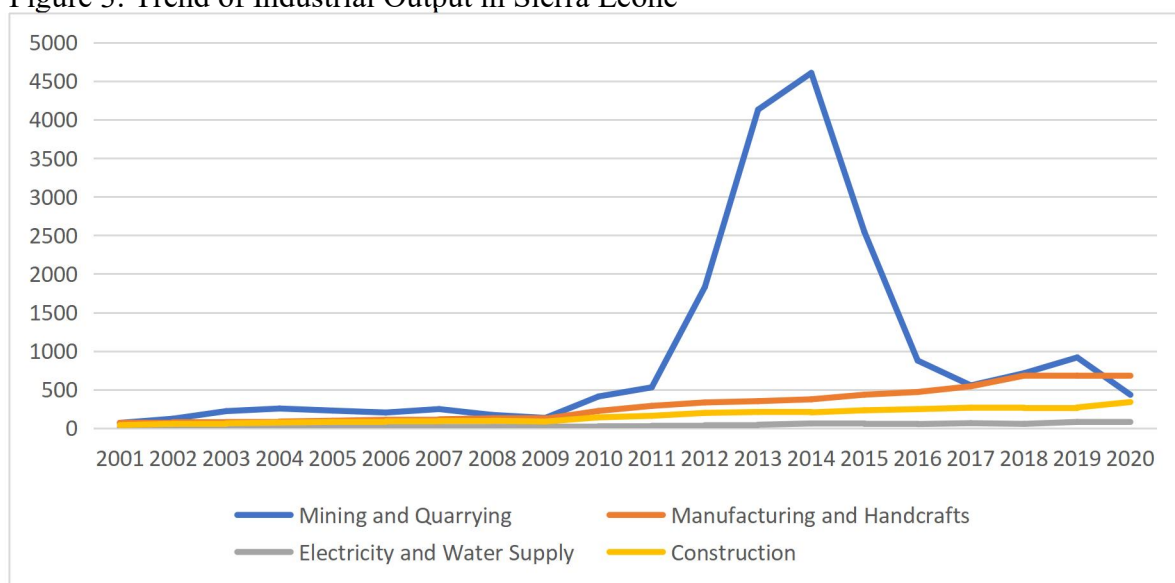
2.2.2 Industrial Sector and SEZ Development

The dominant activity in the Sierra Leone industrial sector is mining and quarrying. Figure 3 reveals that mining and quarrying output rose noticeably from 67.97 billion Leone in 2001 to peak at 4.61 trillion in 2014. Output of this sub-sector fell considerably after 2014, with a temporary spike in 2019 where mining and quarrying activities added about 917 billion Leone to GDP in 2019 after which it fell sharply to 432 billion Leone in 2020. A major activity is the mining of iron ore, diamond and other related precious metals which appears to be the main driver of growth in the sector. For instance, the unprecedented rise in this sector's output in 2014 could be associated with the high price of iron ore, with China being the highest importer of this commodity from Sierra

Leone. Manufacturing is the next most important activity in the industrial sector with output rising gently from 469 billion Leone in 2016 to 676 billion Leone in 2020.

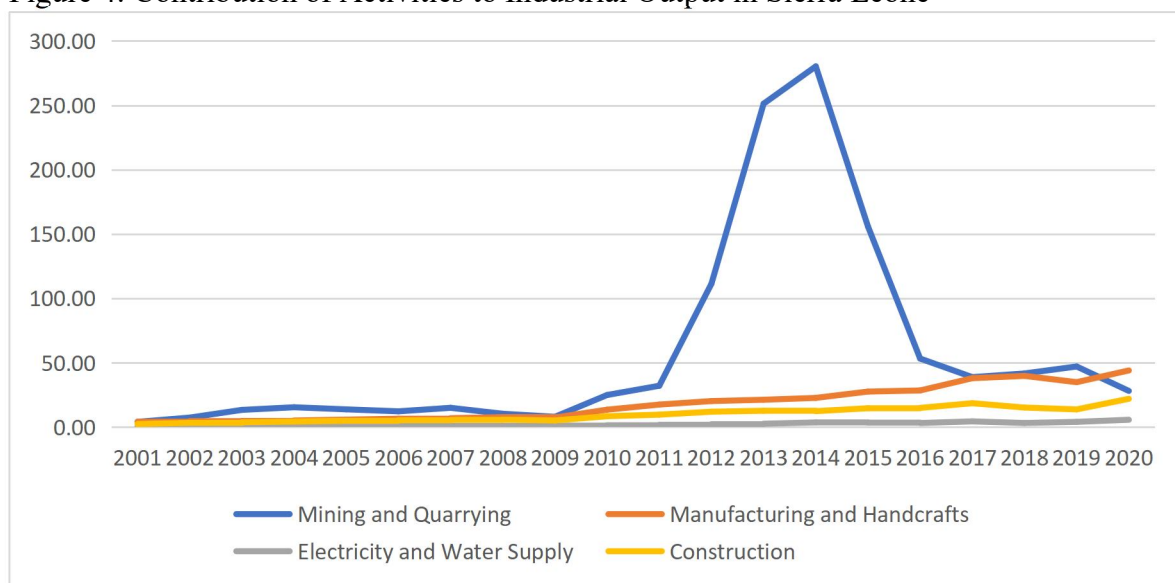
Output of the construction, and electricity and water supply sub-sectors also improved considerably over the 2001-2020 period. As shown in Figure 4, the contribution of mining and quarrying sub-sector to industrial sector output fell from 53% in 2016 to 28% in 2020, though it remained the dominant economic activity in Sierra Leonean economy. However, manufacturing contribution to industrial output rose from 29% in 2016 to 44% in 2020, while the share of construction, and electricity and water supply also increased from 15% and 3% in 2016 to 22% and 6% in 2020 respectively. The manufacturing sector will be very strategic to the development of SEZ in the country given its relative stability, high contribution to industrial sector performance, as well as the ability to link well with other sectors.

Figure 3: Trend of Industrial Output in Sierra Leone



Source: Statistics Sierra Leone

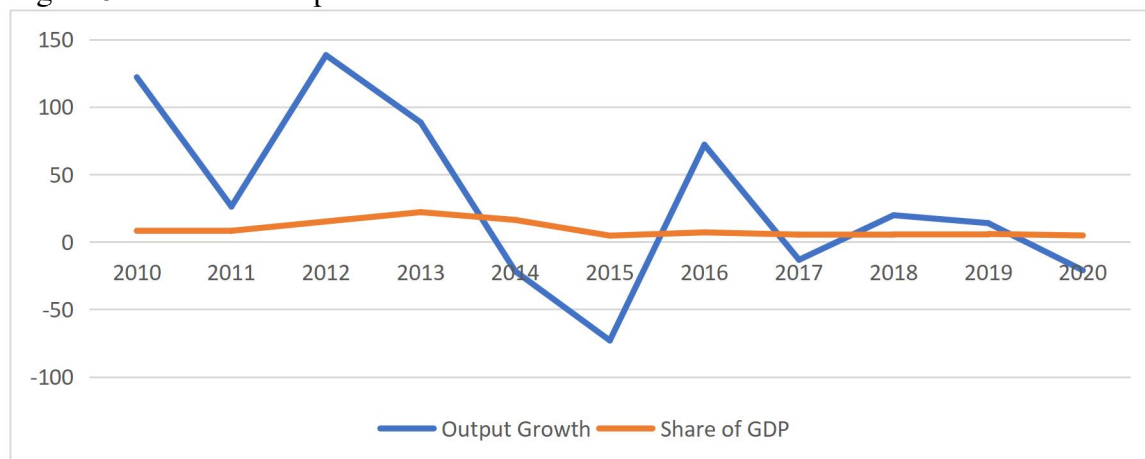
Figure 4: Contribution of Activities to Industrial Output in Sierra Leone



Source: Statistics Sierra Leone

The contribution of industrial sector to GDP witnessed a declining trend for most part of the last decade, falling significantly to about 5% in 2020, after reaching a peak of 22% in 2013. Industrial output growth also deteriorated noticeably in the last decade, though it remained positive for most of the years. By the year 2020, industrial output growth reached -21% which may represent a slight improvement from -73% recorded in 2015 (Figure 5). The growth performance of the sector, especially in the early 2010s is largely attributable to the high global prices of iron which was a major export commodity of the country.

Figure 5: Industrial Output Growth and Contribution to GDP



2.3 Macroeconomic and Business Environment

Analysis of macroeconomic stability which is an important driver of both domestic and foreign investments shows that inflation is very high in Sierra Leone. As shown in Table 3, inflation rate in the country stood at an average of 13.33% between 2015 and 2019. This rate was higher than those recorded by Rwanda (4.21%), Liberia (13.14%) and Djibouti (1.19%) which are on similar level of industrial sector development, as well as the more industrialized ones such as Botswana (3.04%), Zambia (10.241%) and Senegal (0.90%). Also, while average interest rates are lower in Sierra Leone than in Rwanda and Liberia, they remained higher than what obtained in the more industrialized non-oil rich economies in Africa such as Senegal, Botswana and Zambia. The high inflation and real interest rates indicate that cost of inputs and cost of living remain high in Sierra Leone, with negative implication for setting up the Special Economic Zone and for attracting investment into the Zone. Moreover, real effective exchange rate in Sierra Leone, which stood at 118 during 2015-2019, is relatively higher than that of Zambia, suggesting that the purchasing power of the Sierra Leone currency is high compared to the more industrialized African countries. This also has implication for setting up the Special Economic Zone, attracting investment into the Zone, and its competitiveness.

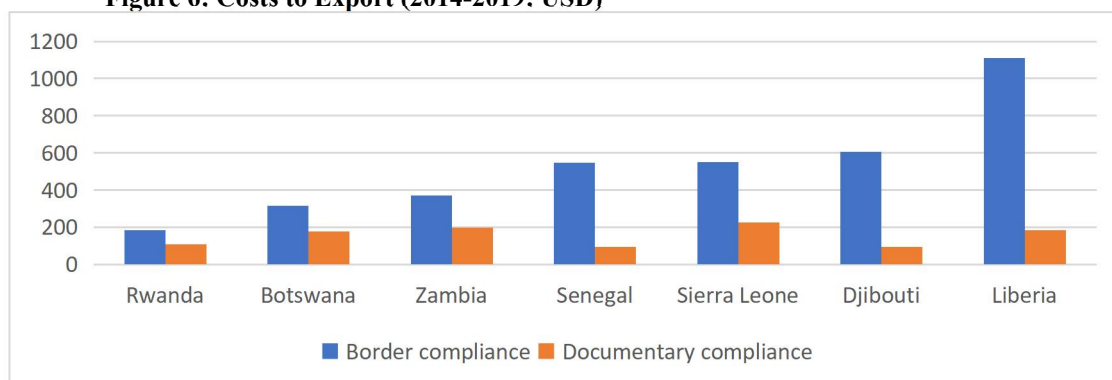
Table 3: Indicators of macroeconomic environment

Country	Indicator	1990-94	1995-99	2000-04	2005-09	2010-14	2015-19
Selected Least Industrialized African Countries							
Sierra Leone	Inflation (%)				9.108	6.147	13.327
	Exchange rate	118.575	129.945	118.136	98.141	115.690	118.212
	Interest rate (%)	-6.462	5.561	7.029	12.158	8.923	7.242
Rwanda	Inflation (%)	11.434	5.808	5.787	11.071	4.275	4.206
	Exchange rate	-	-	-	-	-	-
	Interest rate (%)	-	11.241	9.707	3.692	11.961	14.245
Liberia	Inflation (%)	-	-	10.773	10.897	8.010	13.142
	Exchange rate	-	-	-	-	-	-
	Interest rate (%)	-	-	11.391	7.978	7.759	12.179
Djibouti	Inflation (%)	-		1.872	5.038	3.360	1.185
	Exchange rate	-	-	-	-	-	-
	Interest rate (%)	-	-	-	-	-	-
Selected Average Industrialized African Countries							
Botswana	Inflation (%)	12.841	8.745	7.866	9.595	6.647	3.039
	Exchange rate	-	-	-	-	-	-
	Interest rate (%)	4.084	3.548	8.147	7.495	3.125	3.392
Zambia	Inflation (%)	121.657	30.734	21.805	12.768	7.258	10.241
	Exchange rate	49.775	55.135	63.703	96.413	99.332	86.801
	Interest rate (%)	-24.039	16.794	14.336	9.183	4.703	3.224
Senegal	Inflation (%)	6.034	2.871	1.301	2.955	1.134	0.902
	Exchange rate	-	-	-	-	-	-
	Interest rate (%)	-	-	-	1.841	4.161	4.284

Source: World Bank, World Development Indicators (Online). NB: Exchange rate is the real effective exchange rate index (2010 = 100); Inflation is the annual percentage change in consumer prices; Interest rate are in real terms.

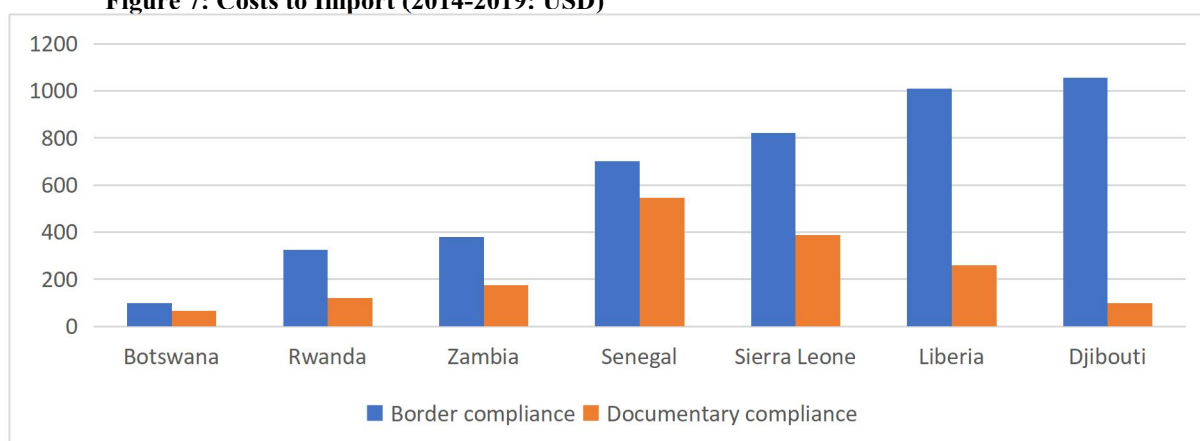
The business environment in Sierra Leone is generally weak, though the situation seems to be better than those in other least industrialized African countries. For instance, in terms of cost of export, border compliance costs is about USD552 in Sierra Leone, which is lower than Djibouti (USD605) and Liberia (USD1111) but higher than those in all selected mid-industrialized economies (Figure 6). Also, among the selected countries, cost to export in terms of documentary compliance cost is highest in Sierra Leone (USD227.1). Similarly, cost to import in terms of border compliance is lower only in Sierra Leone (USD821) than those reported for Djibouti (USD1011) and Liberia (USD1055) as shown in Figure 8. Documentary compliance is also more costly for import in Sierra Leone (USD387) than in any other selected country (except Senegal) irrespective of the level of industrialization (Figure 7). However, in terms of time to export (Figure 8), required duration for border compliance cost is lower in Sierra Leone (55 hours) than those in all selected countries (Figure 8), except Botswana (6.5 hours), while duration for documentary compliance in Sierra Leone (102.85 hours) is only lower than Zambia (103.3 hours) and Liberia (144 hours). Time to import is also higher in Sierra Leone than in most of the countries, except Liberia with higher duration of border and documentary compliance, and Zambia with higher duration of border compliance (Figure 9). These costs of doing business have important adverse implication for inducing investment into the Special economic Zone. If the Special Economic Zone has export orientation, then the cost and time of doing business must be reduced so as to make the economy competitive.

Figure 6: Costs to Export (2014-2019: USD)



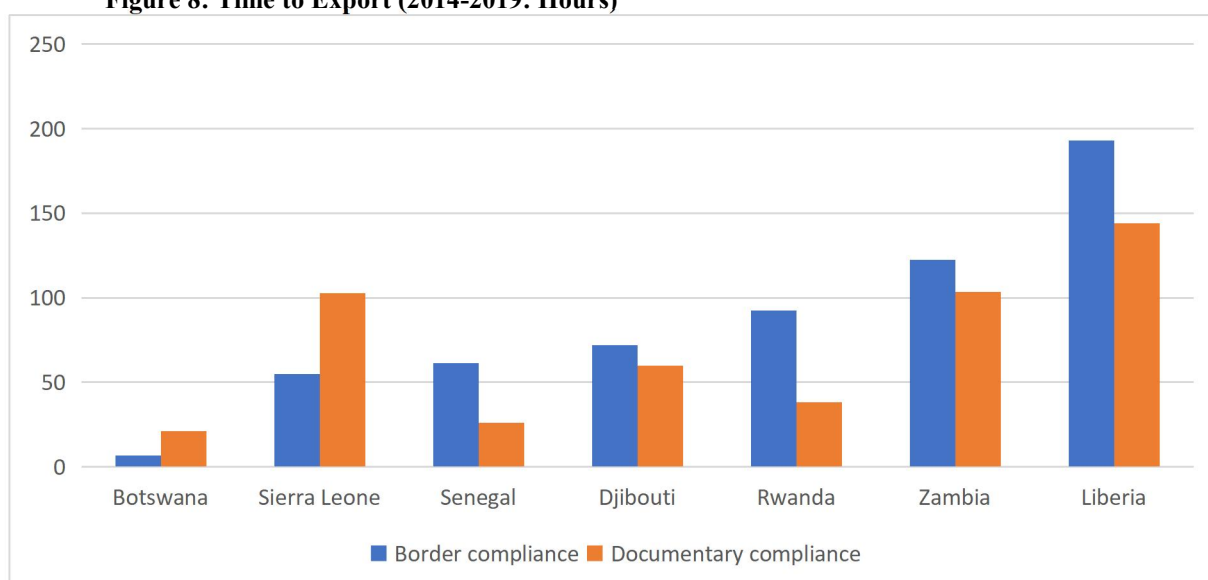
Source: World Bank, World Development Indicators (Online)

Figure 7: Costs to Import (2014-2019: USD)



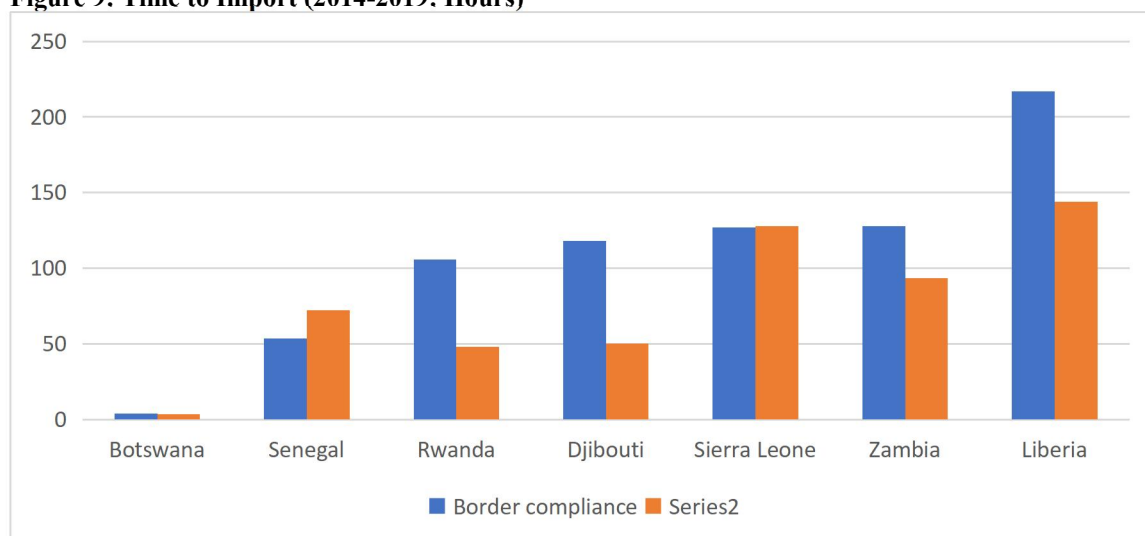
Source: World Bank, World Development Indicators (Online)

Figure 8: Time to Export (2014-2019: Hours)



Source: World Bank, World Development Indicators (Online)

Figure 9: Time to Import (2014-2019: Hours)



Source: World Bank, World Development Indicators (Online)

Owing to the significance of communications to business, it is imperative to assess the state of usage of communication facilities in Sierra Leone. As shown in Table 4, fixed telephone lines subscriptions are low in Sierra Leone with similar subscription rates as Rwanda and Liberia. These subscriptions are however lower in Sierra Leone than Djibouti and the more industrialized African countries such as Botswana, Zambia and Senegal. The communication facility and usage should be upgraded so as to facilitate the activities in the Special Economic zone.

Table 4: Fixed broadband and Telephone subscriptions per 100 people

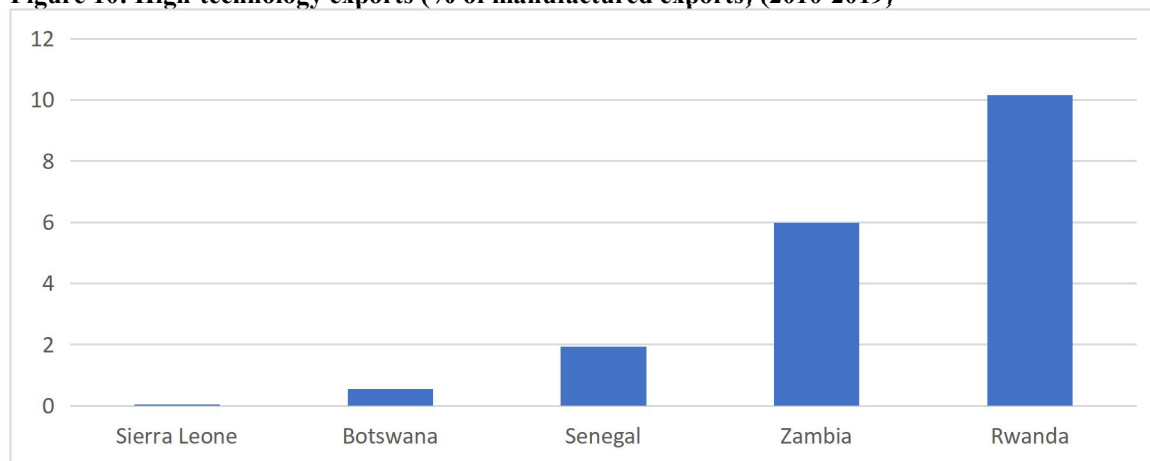
Country	Indicator	1990-94	1995-00	2000-04	2005-09	2010-14	2015-19
Selected Least Industrialized African Countries							
Sierra Leone	Fixed telephone subscriptions	0.327	0.398	0.470	0.506	0.240	0.159
	Fixed broadband subscriptions	-	-	-	-	-	-
Rwanda	Fixed telephone subscriptions	0.164	0.159	0.269	0.259	0.412	0.113
	Fixed broadband subscriptions	-	-	0.013	0.019	0.045	0.137
Liberia	Fixed telephone subscriptions	0.259	0.241	0.231	0.059	0.240	0.188
	Fixed broadband subscriptions	-	-	-	0.004	0.055	0.174
Djibouti	Fixed telephone subscriptions	1.099	1.229	1.368	1.677	2.288	3.227
	Fixed broadband subscriptions	-	-	0.0007	0.220	1.648	2.625
Selected Average Industrialized African Countries							
Botswana	Fixed telephone subscriptions	2.762	5.716	8.170	7.308	7.751	6.599
	Fixed broadband subscriptions	-	-	-	0.270	1.057	1.935
Zambia	Fixed telephone subscriptions	0.869	0.818	0.796	0.738	0.714	0.615
	Fixed broadband subscriptions	-	-	0.001	0.036	0.104	0.294
Senegal	Fixed telephone subscriptions	0.714	1.301	2.217	2.286	2.517	1.806
	Fixed broadband subscriptions	-	-	0.035	0.323	0.710	0.765

Source: World Development Indicators (WDI, 2019)

The level of innovation and related activities are very low in Sierra Leone, which is also a reflection of the low level of industrialization. In the country, the percentage of high-technology exports in manufactured exports is an average of 0.02% between 2010 and 2019, the least among selected countries (Figure 10). This value is particularly lower than that recorded by Rwanda (10%) which is also among the least industrialized countries on the continent. It may therefore be important to attract higher foreign direct investment to increase technology transfer into the Special Economic Zone. The human capital index for Sierra Leone also stood at 0.35 during 2010-2019, indicating

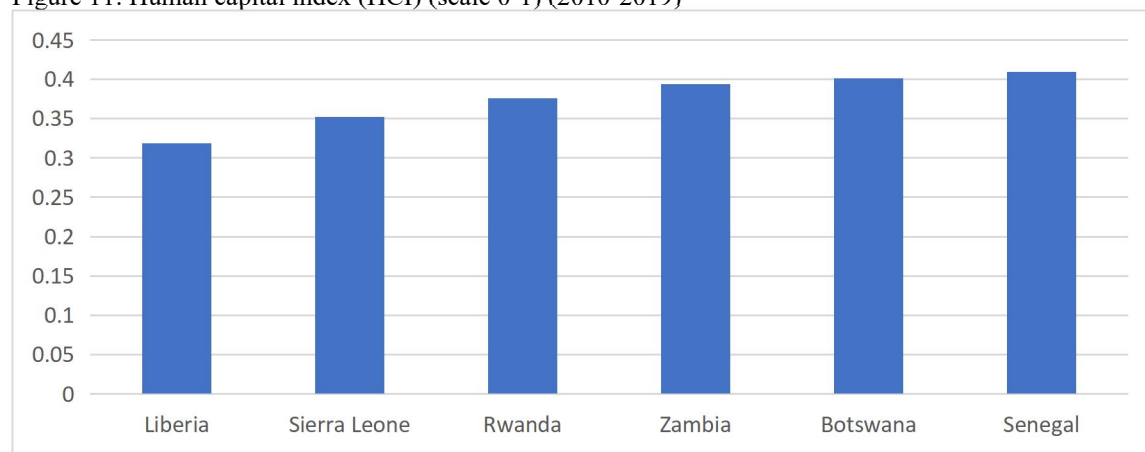
that human capital development is among the lowest on the continent (Figure 11). This signals the need to promote human capital in order to internalise the benefits of the Special Economic Zone.

Figure 10: High-technology exports (% of manufactured exports) (2010-2019)



Source: World Bank, World Development Indicators (Online)

Figure 11: Human capital index (HCI) (scale 0-1) (2010-2019)



The ability of each of the world economies to provide high level of well-being for their populace and ensure necessary factors for economic development is ranked using the global competitive index. This index is arrived at via the combination of different factors including institution, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods and labour market efficiency, financial market development, technological readiness, market Size, business sophistication and innovation. Relative competitiveness of the Sierra Leone economy out of 137 countries is analysed with the data provided in Table 5. It is clear that global competitiveness ranking of the Sierra Leone economy (130) is among the lowest in Africa in 2018. This has negative implication for the country in competing for foreign investment from other countries within and outside Africa.

Table 5: Global Competitiveness Index (2018)

Country	Value (1=least; 7=highest)	Rank
Selected Least Industrialized African Countries		
Sierra Leone	3.2	130
Rwanda	4.3	58
Selected Average Industrialized African Countries		
Eswatini	3.4	122
Liberia	3.1	134
Mauritania	3.1	133
Botswana	4.3	63
Zambia	3.5	118
Lesotho	3.2	131

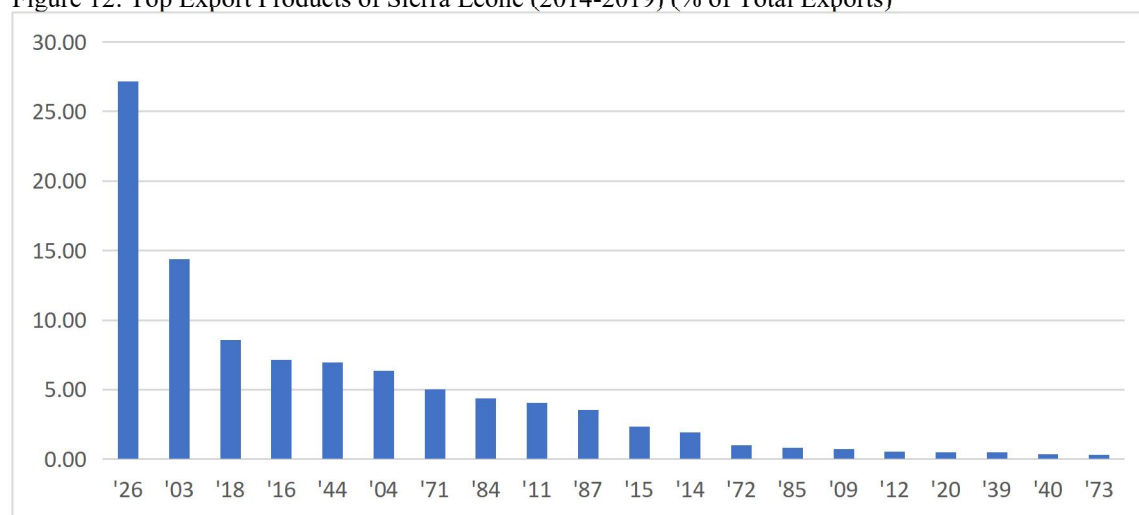
Senegal	3.8	106
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Source: World Economic Forum Global Competitiveness Index

2.4 Structure of industrial export and import in Sierra Leone

The top 20 export products of Sierra Leone between 2014 and 2019, in terms of their share in total export, are presented in Figure 12. Ores, slag and ash are the leading export products of the country, contributing about 27% to total export, on average during the period 2014-2019. During the same period, other major export products, with over 5% average contributions include fish (14%), cocoa (9%), fish and meat preparations (7%), wood and related articles (7%), dairy products (6%), natural pearls and precious metals (5%). Figure 13 indicates that mineral fuels (16%) and vehicles (10%) are the dominant imported products in the country. Cereals and machinery also make up about 9% of imported products each on the average during the same period while electrical machinery and equipment (6%) and plastics and related articles (4.5%) also contributed substantially to total imports. Thus, while exports are dominated by primary products, refined and manufactured products are the major components of imports.

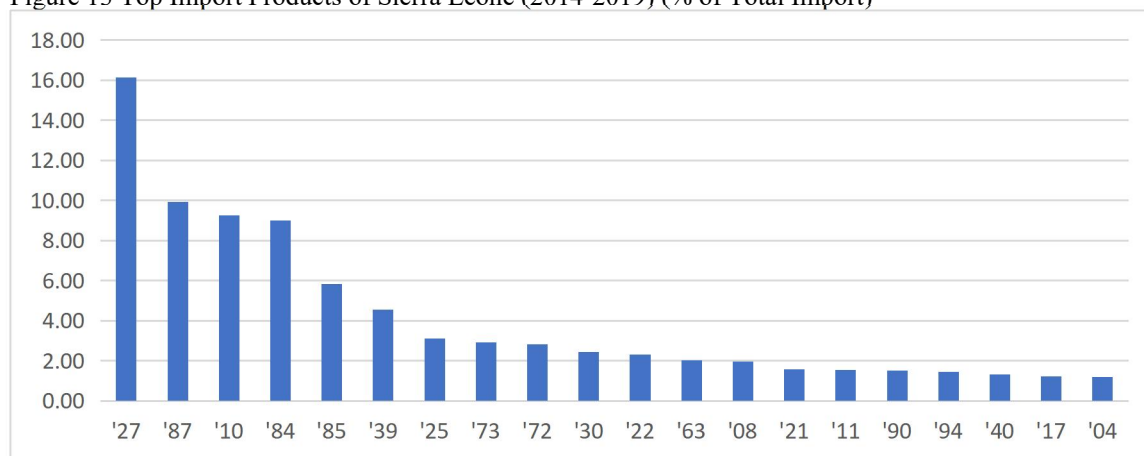
Figure 12: Top Export Products of Sierra Leone (2014-2019) (% of Total Exports)



Source: Trade Map

Note: '26=Ores, slag and ash; '03=Fish and crustaceans, molluscs and other aquatic invertebrates; '18=Cocoa and cocoa preparations; '16=Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates; '44=Wood and articles of wood; wood charcoal; '04=Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere; '71=Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad; '84-Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof; '11=Products of the milling industry; malt; starches; inulin; wheat gluten; '87=Vehicles other than railway or tramway rolling stock, and parts and accessories thereof; '15=Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal; '14=Vegetable plaiting materials; vegetable products not elsewhere specified or included; '72=Iron and steel; '85=Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television; '09=Coffee, tea, maté and spices; '12=Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal='20=Preparations of vegetables, fruit, nuts or other parts of plants; '39=Plastics and articles thereof; '40=Rubber and articles thereof; '73=Articles of iron or steel

Figure 13 Top Import Products of Sierra Leone (2014-2019) (% of Total Import)



Source: Trade Map

Note: '27=Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral; '87=Vehicles other than railway or tramway rolling stock, and parts and accessories thereof; '10=Cereals; '84=Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof; '85=Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television; '39=Plastics and articles thereof; '25=Salt; sulphur; earths and stone; plastering materials, lime and cement; '73=Articles of iron or steel; '72 Iron and steel; '30=Pharmaceutical products; '22=Beverages, spirits and vinegar; '63=Other made-up textile articles; sets; worn clothing and worn textile articles; rags; '08=Edible fruit and nuts; peel of citrus fruit or melons; '21=Miscellaneous edible preparations; '11=Products of the milling industry; malt; starches; inulin; wheat gluten; '90=Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical; '94=Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; '40=Rubber and articles thereof; '17=Sugars and sugar confectionery; '04=Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere

2.5 Priority Sectors and Products for SEZ Development

The reliance of Sierra Leone on the mining sector has been identified as a major obstacle to sustained inclusive growth and poverty reduction. It therefore underscores the need to diversify the production and export base of the economy. Although the country has vast arable land for the cultivation of variety of crops, production of crops is far below potential. The SEZ must be a hub for industrial activities in the country using efficiently raw materials from the agricultural sector. Thus, for a successful SEZ implementation and operation, the agricultural sector must be active to produce and supply firms in the SEZ with the raw materials. The recent National Trade Strategy developed by the Sierra Leone Ministry of Trade and Industry identified some priority products to take advantage of the AfCFTA. These products are mainly manufactures as highlighted in Table 6 and are expected to be the focus of SEZ especially at the initial stage.

Table 6: Priority Products for SEZ

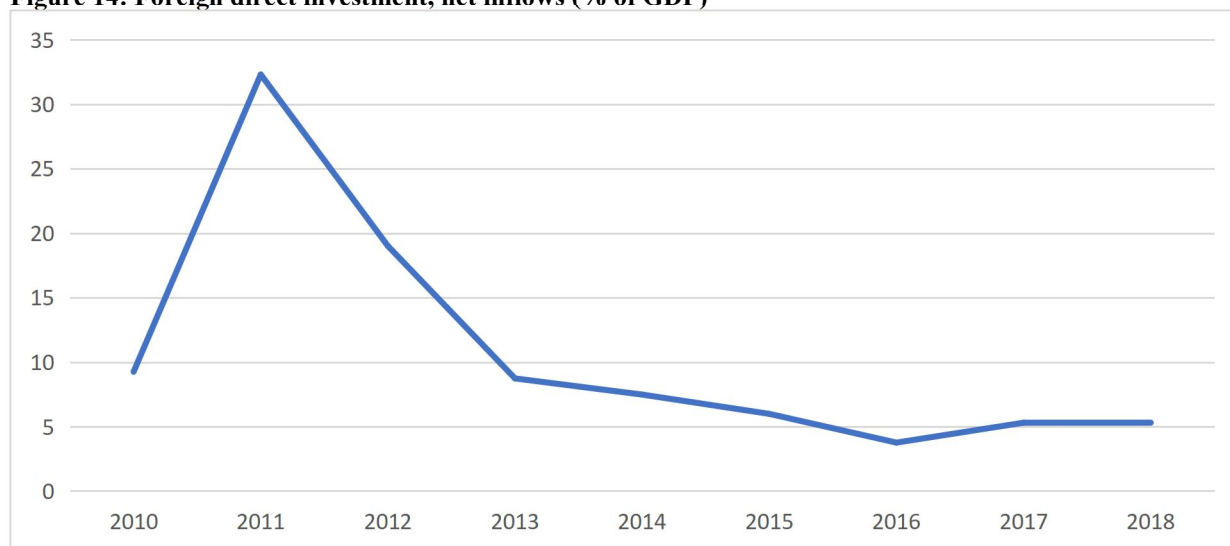
S/N	Product	S/N	Product
1	Coconut oil	8	Fruit juice
2	Groundnut oil	9	Soap
3	Cocoa paste	10	Chemical or alcohol disinfectants/ sanitizers
4	Sesames seeds	11	Cosmetics
5	Natural honey	12	Pigments and preparations containing titanium dioxide (colouring, sunscreen or paint)
6	Bovine meats	13	Wooden Furniture
7	Pineapples and mangoes	14	Textile face mask

Source: Sierra Leone National Trade Strategy

2.6 Foreign capital flows for industrial development in Sierra Leone

Foreign investment has been identified to play critical role in industrial development of developing economies. However, in Sierra Leone, foreign direct investment (FDI) continues to play little role. For instance, the share of FDI in total GDP fell significantly from a peak of 32% in 2011 to a minimum of 3.75% in 2016 and 5.33% in 2018 (Figure 14). This development is a major concern for the country in the quest for industrialization. Efforts must therefore be expended to attract foreign investment into the country.

Figure 14: Foreign direct investment, net inflows (% of GDP)



Source: World Bank, World Development Indicators (WDI)

PART III: SPECIAL ECONOMIC ZONE (SEZ) POLICY

Sierra Leone developed a SEZ policy in 2013. Since the development of the policy internal and external parameters have changed. The various developments and emerging issues include the increased concern for climate change and the environment; global commitment to the Agenda 2030 termed as Sustainable Development Goals (SDGs); the African Union Agenda 2063; the COVID19 pandemic; and the establishment of the African Continental Free Trade Area (AfCFTA).

3.1 Updating the existing Sierra Leone SEZs Policy and Strategy

3.1.1 Strategic direction of the SEZ policy

The Sierra Leone Special Economic Zones (SEZs) Policy primarily aims to fully integrate the scheme into the national development programme. Specifically, the policy seeks to:

- (i) provide a road map for the development and management of (SEZs) in Sierra Leone;
- (ii) provide a reference for the development and operation of (SEZs) in Sierra Leone
- (iii) harmonise stakeholders' views as regards guidelines, procedures and other operational details for effective operation and management of Special Economic Zones in Sierra Leone
- (iv) ensure that the zones operate with international best practices
- (v) ensure that government provides a stable and sustainable environment where the Special Economic Zone scheme can be nurtured

3.1.2 Policy Strategies and Measures

The Government of Sierra Leone highlights the strategies and measures to achieve the objectives of the SEZs policy. These include:

- i. Ensuring that location of the zones are attractive to high quality investment.
- ii. Attracting value-adding private investment to the SEZs, with consideration for non-pollutant industries to protect the environment from degradation and abuse.
- iii. Ensuring greater encouragement for manufacturers with backward integration into the customs territory to enhance sectoral linkages within the economy.
- iv. Encouraging the private sector investors to develop, promote and administer Special Economic Zones.
- v. Promotion of Partnership among Sierra Leoneans and Foreigners
- vi. Provision of Energy by encouraging Independent Power Providers to establish power plants at competitive prices for SEZ investors and other operators
- vii. Provision of free flow of information through local area networks and trade-web facilities where relevant information can be obtained without any encumbrances. Also, private sector satellite services shall be encouraged within the zones.
- viii. Encouraging co-operation among all relevant government agencies to enhance effective operation of the zones through regular seminars, colloquium and workshops.
- ix. Protection of Special Economic Zone enterprises and their products from the retroactive effects of fiscal policy measures of the domestic economy.
- x. Promote special tariff rebate for raw materials, Completely Knocked Down (CKD) components and other imports to the SEZs, and which have undergone further processing, manufacture and assembly, provided they are to be sold in the domestic economy of Sierra Leone.
- xi. Provision of “off-shore” banking operation in SEZs to facilitate investment, production and trade.
- xii. Conducting enlightenment campaigns on the relevance of SEZs to the economic development of Sierra Leone.

Both the Economic Community of West African States (ECOWAS) and the African Union (AU) do not develop a specific policy document for SEZs development in the region, though in its Investment Policy, the ECOWAS stress the role of SEZs in industrial development and strongly

advise member countries to pursue spatial area investment policies, including SEZ development initiatives (ECOWAS, 2018).

3.1.3 Implementation Strategies articulated in previous SEZ Policy

To implement the various strategies in the existing SEZs Policy, the government of Sierra Leone provided roles for the different agencies to enhance smooth implementation and transparency, as well as for effective monitoring of the various associated activities. Some of these agencies include: Sierra Leone Special Economic Zones Authority; National Revenue Authority; Bank of Sierra Leone; Sierra Leone Special Economic Zones Authority; Ministry of Trade and Industry; Ministry of Foreign Affairs and International Cooperation; and Ministry of Energy & Water Resources; Ministry of Health and Sanitation. Others are the Organized Private Sector; Ministry of Trade and Industry; Private Industrialists; Foreign investors; Ministry of Justice and Attorney-General; Cargo handling companies; Sierra Leone Maritime Administration; Sierra Leone Investment & Export Promotion Agency; Sierra Leone Immigration Service; Sierra Leone Standards Bureau; Sierra Leone Ports Authority; and The Sierra Leone Air Port Authority.

The ECOWAS Investment Policy identifies that successful SEZ implementation requires a commitment of the ECOWAS Commission and Sierra Leone to promote and adopt additional pro-market measures, including developer/operator license or concession schemes and flexible PPP arrangements. This is important to promote private-sector-led development of SEZs. No clear monitoring and evaluation framework was however provided both at the country level and ECOWAS level.

3.1.4 Role, Constraints and Potentials of Special Economic Zone

Role of Special Economic Zone

Special Economic Zones (SEZs) play key developmental roles in the economic development of countries around the world. This follows from the fact that these zones enjoy certain special benefits that may not apply elsewhere. According to Farole and Akinci (2011), SEZs are demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory. These rules range from investment conditions to international trade and customs, taxation, and the regulatory environment. This allows them to freely perform certain roles.

Special Economic Zones are known for their immense contribution to infrastructural development, especially in areas of transport, reliable power supply, and information and communication technology. Most of the successful SEZs and the increasing numbers of new ones are privately financed, although there are handful of state-financed ones (GMS, 2016). Abonyi et al (2014) however advocate for public-private partnerships, with major role for the government, rather than the largely private SEZs that dominate the Asian economies.

The benefits of SEZs, especially to countries where rent-seeking behaviour and coordination failures frustrate major industrial developmental efforts at the national level (as evident in most African countries), are identified by Auty (2011). These benefits include world-class infrastructure, business-friendly services, property rights, and the rule of law. These zones have also been reputed for attracting foreign direct investment as well as incubating dynamic and internationally competitive firms which stand to challenge the established monopolies in some sectors. In fact, successful SEZs biggest SEZ take at least 5 to 10 years before building momentum (Farole and Akinci, 2011). Recently, Zeng (2019) identified the different types of SEZs, with different roles attached to them (Table 7).

Table 7: Common Types of Special Economic Zones and their Roles

Name	Role
Free Trade Zones	Offers warehousing, storage, and distribution facilities for trade, transshipment, and re-export

	operations.
Export Processing Zones	Aim primarily at foreign markets, offering firms free-trade conditions and a liberal regulatory environment.
Comprehensive Special Economic Zones	Large zones with a mix of different, industrial, service and urban-amenity operations.
Industrial Parks	Manufacturing-based sites offering a broad set of incentives and benefits.
Bonded Areas	Offer specific buildings or other secured areas for goods to be stored, manipulated, or undergo manufacturing operations without payment of duties. It is sometimes similar to a “free trade zone” or “free port, but it is subject to customs laws and regulations, unlike “free trade zone”.
Specialized Zones	include science/technology parks, petrochemical zones, logistics parks and airport-based zones
Eco-Industrial Zones or Parks	Focus on ecological improvements that reduce waste and improve environmental performance of firms. They use an “Industrial symbiosis” concept and green technologies to achieve energy and resource efficiency.

Source: Zeng (2019)

SEZs have been particularly identified to play important roles in promoting export, employment generation, firm level performance, and labour market development (Zeng, 2019). Based on White (2011), benefits of SEZs are classified into direct and indirect by Zeng (2019) as indicated in Table 8.

Table 8: Benefits of successful SEZs

Benefits of SEZs	Direct Benefits	Indirect Benefits
Employment Generation	✓	
Employment Generation	✓	
Foreign exchange earnings	✓	
Foreign direct investment	✓	
Government revenue	✓	
Export growth	✓	
Skills upgrading		✓
Testing field for wider economic reform & Demonstration effect		✓
Technology transfer & adoption of modern management practice		✓
Export diversification		✓
Enhancing trade efficiency of domestic firms		✓
Cluster facilitation		✓
Urban and regional development, & even green growth		✓

Source: Zeng (2019) based on White (2011).

Constraint to Special Economic Zone Development

African countries, except Mauritius, have not made considerable progress in harnessing the dynamic potential of SEZs for industrialization and sustainable structural transformation. Some major challenges are identified by Zeng (2015) as follows:

- i. Problematic legal, regulatory and institutional frameworks.
- ii. Poor business environment.
- iii. A lack of strategic planning and a failure to adopt a demand-driven approach.
- iv. Inadequate infrastructure.
- v. A lack of operational know-how for zone management.
- vi. A lack of policy consistency, and a failure of host governments to maintain commitments to zones.
- vii. A failure to address land acquisition and resettlement issues.

Following from the foregoing, a new SEZ strategy is inevitable which can draw on useful lessons and experiences of successful countries as highlighted by Zeng, (2015) and Zhang and Ilhéu (2014).

- i. Using SEZs to address market failures and binding constraints that defy other options.

- ii. Creating sound legal and regulatory framework and effective institutions with strong and long-term government commitment.
- iii. Fostering better business environment within the zone
- iv. Implementing realistic scheme that starts small
- v. Providing a level of autonomy at the local/zone level coupled with clear objectives, sound benchmarking and monitoring/evaluation.
- vi. Aiding technology transfer, diffusion and skills training.
- vii. Forging better linkages with local economy.
- viii. Practicing sound environmental management.
- ix. Establishing good balance between industrial development and social/urban development.
- x. Strategic location advantages.
- xi. Foreign Direct Investment (FDI) and the African Diaspora.

The Sierra Leone Ministry of Trade and Industry (2020) summarized the constraints into three main categories as contained in Table 9.

Table 9: Constraints to SEZ Development in Sierra Leone

Constraint	Situational Report
Industrial Policy Framework	In 2010, ECOWAS adopted the West African Common Industrial Policy (WACIP) which seeks to diversify and broaden the region's industrial production base by raising the local content of such products progressively to an average of 30 per cent by 2030 though support for the creation of new industrial production capacities and the development and upgrading of the existing ones. The four Thematic Areas of the ECOWIP are: Agro-Industry, Pharmaceuticals, Automotive and Textiles, Garments. WACIP Presently many ECOWAS States including Sierra Leone are facing challenges with the implementation of the ECOWIP.
National Quality Infrastructure	Implementation of the ECOWAS Quality Policy is slow as there is no National Quality Framework in place. The National Quality Infrastructure that should support industrial development is weak. The Standards Bureau lacks resources as well as accreditation of its laboratories.
SEZ Operational Framework	There is no regulatory framework governing the operations of SEZs in Sierra Leone in line with best practices especially relating to roles of Zone Owner, Developer, Operator and Regulator and an SEZ Law

Source: Sierra Leone Ministry of Trade and Industry (2020)

Output, export and employment generation potentials of SEZ

Evidence has remained mixed on the contribution of SEZs to employment, output and export performance of countries. In the particular instance of the Dominican Republic where huge positive implication have been observed for employment and output, the impact of SEZs on exports have been negligible. This has also been linked to the existing policies of import substitution and numerous trade barriers (Zeng, 2019). Moreover, Carneiro et al, (2015) argued that SEZs in the Dominican Republic are still isolated from the rest of the economy. Aggarwal et al. (2008) reported that while SEZs have contributed marginally to total export in 2008 in India after 40-year-long record with SEZs, they significantly drive exports in Bangladesh and Sri Lanka. They also found that substantial exports from SEZs are linked to already outward-oriented sectors, which makes it difficult to attribute improved export performance merely to the existence of SEZs. However, in other sectors, such as the garment industry in Bangladesh, export and productivity has been directly linked with the creation of SEZs.

The implication of SEZs for employment, labour market and growth has been studies extensively with overwhelming support for the high capacity of the zones to create job opportunities for youths. For instance, Zeng (2019) reported that about 13% of total workforce in Dubai is employed at the

Jebel Ali Free Zone, while more than 10,000 jobs have been created by 2012 in the Aqaba Special Economic Zone in Jordan. In Bangladesh, eight zones attracted 412 firms, with over 350,000 jobs created, with similar positive employment spillover recorded in the Dominican Republic, and Costa Rica (FIAS, 2008).

The SEZ stands to benefit from government employment provision as indicated in the Local Content Policy, which seeks to promote the employment of Sierra Leoneans in all sectors of the economy (Government of Sierra Leone, 2012). This allows the country to harness maximum benefits from investment and to ensure transfer of knowledge to Sierra Leoneans

3.1.5 Measures for Attracting Investments into the Special Economic Zones (2013 SEZ policy)

The 2013 SEZ policy identifies some measures to develop SEZs in Sierra Leone and attract investments into the zones. These are highlighted as follows:

- i. Provision of Energy through Privatization
- ii. Information Dissemination
- iii. Cooperation among Relevant Agencies
- iv. Special Economic Zone enterprises and their products
- v. Duty Rebates
- vi. Consistency of the General Services Tax Act (GSTA) the provisions of the Special Economic Zone Act.
- vii. Banking Operation
- viii. Public Enlightenment Campaigns

United Nations (2010) categorize efforts of Sierra Leone Government to attract foreign investment under 2 scenarios following international best practices. Under scenario 1, efforts to attract regional investors is expected to focus on measures to facilitate investment. These measures include:

- i. ensuring the adoption of basic legal measures to improve the investment framework
- ii. providing FDI facilitation services
- iii. providing aftercare services easing entry visa requirements
- iv. improving Sierra Leone's image through a limited programme of investment promotion.

Scenario 2 focuses on solutions to structural impediments to FDI attraction including poor infrastructure, inadequate human capital and administrative capacity, and a weak regulatory framework and judicial system. Thus, the government seeks to ensure that:

- i. Power supply meets at least the current demand for electricity;
- ii. Water supply meets existing demand in principal economic centres;
- iii. Road connectivity to important economic centres is re-established;
- iv. Private sector activity is increasingly taking place in the formal sector;
- v. The judicial system functions well;
- vi. Key public institutions have sufficient capacity;
- vii. A solid regulatory framework is in place;
- viii. Training programmes are provided to improve the skills of the labour force;
- ix. Domestic revenue collection is significantly improved;
- x. Good governance and social, political and economic stability are maintained;
- xi. Major investment disputes have been resolved.

3.2 *Updating the strategic policies and programmes*

3.2.1 Financing and Incentive Schemes

The Sierra Leone Trade Policy of 2010 makes provision for financing trade activities in the country which could potentially promote the activities of SEZ. As contained in Sierra Leone Ministry of Trade and Industry (2010), the following are the potential ways of providing credit for trade activities which could benefit the operation of SEZ in the country:

- i. Government will encourage commercial banks and community banks to extend credit to producers and traders, especially the SMEs.
- ii. Government will encourage traders and micro and small enterprises to form cooperatives to improve their accessibility to credit
- iii. Government will improve regulation of MFIs, while providing support such as training to enhance their capability and efficiency of services
- iv. Government will improve financial infrastructure to facilitate especially debt recovery, and will also encourage and support financial institutions to establish credit bureaus towards reducing the risks of lending to SMEs
- v. Government will encourage group lending by commercial banks and community banks

Sierra Leone, being an attractive market in its own right, investors in the country have been provided with fiscal and financial incentives by the government¹. These incentives have successfully led the development of SEZs as part of government strategic economic plan for industrialization in Sierra Leone. Some of these incentives are sector specific and include the following:

1. Including the establishment of the first special economic zone operated by First Step at Newton near Freetown.
2. All investors can take accelerated depreciation of 40 percent for plants and equipment during the first year of operation and 10–15 percent for most other items. It also offers a loss carry-forward of 50 percent of the previous tax year's taxable income.
3. Investors in tourism sector pay a 15 percent corporate tax for the first five years of a new investment, unlike the 30 percent rate charged to most corporations.
4. Tourism enterprises are exempted from import duties for new construction, extension, or renovation, applicable to building materials, machinery, and equipment not easily acquired in Sierra Leone.
5. The sales tax is zero for plants and machinery, while others are 15 percent at entry and production.
6. The import duty for raw materials, plants, and machinery is 5 percent, and malaria and HIV drugs are exempted. The import duty for intermediate products is 10 percent, while it is 5 percent for vehicles up to four years old, 20 percent for those four to 10 years old, and 30 percent for those older than 10 years.
7. Export licenses are not required for locally produced goods (except gold, diamonds, and a few other goods designated by the government).

¹ (<https://sliepa.org/investment/why-sierra-leone/investment-incentives/>)

8. As incentives to foreign investors, Sierra Leone offers accelerated depreciation of 40 percent for plants and equipment during the first year of operation and 10–15 percent for most other items. It also offers a loss carry-forward of 50 percent of the previous tax year's taxable income.
9. Investors in the mining sector enjoy a 100 percent deduction for prospecting and exploration, a 40 percent deduction for the first year of production costs, 10 percent depreciation for research and development (R&D), and 10 percent amortization of startup costs. In addition, individuals can deduct 50 percent of qualifying investments, up to \$150,000, from their personal taxes.
10. To encourage investment in rice and timber, a 10-year corporate tax holiday is granted to qualified investors.
11. Tourism investment may qualify for a five-year tax holiday, and tourism enterprises with up to six employees are exempt from the pay-as-you-earn tax for skills and expertise not readily available in Sierra Leone for the first three years of employment.
12. In keeping with plans to promote export diversification and competitiveness, the government of Sierra Leone plans to establish export processing zones and agro-processing units in suitable locations as well as an industrial and economic zone in Freetown.

These incentives appear robust, but are less generous compared to those offered by some existing SEZ in West Africa such as Nigeria. For instance, in Nigeria, up to 100% foreign ownership of business in the zones is allowed while foreign managers and qualified personnel may be employed by companies operating in the zones. Also, repatriation of foreign capital investment in the zones at any time with capital appreciation of the investment.

3.2.2 Public-Private Partnership

In May, 2011, Sierra Leone opened West Africa's first tax-exempt economic zone as part of the Government's attempts to make the country more attractive to foreign investment. The First Step Economic Opportunity Zone—a 54-acre site just outside the capital, Freetown—is a public-private partnership that is 75 percent-owned by a US non-Governmental organization, World Hope. This follows an agreement between the Government of Sierra Leone and World Hope International for the establishment of the First Step SEZ in the country (Government of Sierra Leone, 2009). Any company setting up in First Step will benefit from a three-year tax holiday, duty- and tax-exemptions on imported goods, and guaranteed supplies of electricity and water. The opening of the zone comes after the state-run Sierra Leone Investment and Export Promotion Agency announced a raft of new reforms at the start of January to make it easier for foreign companies to do business in the country.

Apart from a Special Economic Zone (SEZ) policy that Sierra Leone developed in 2013, it has also established an Export Processing Zone (EPZ). Although the development of Special Economic Zones (SEZs) is considered as a critical element of a programme through which private sector investment can be facilitated, and transform the manufacturing sector towards enhancing competitiveness and industrialization for job creation. Also, the country established the Sierra Leone Business Forum in order to enhance public private dialogue (World Trade Organization, 2017).

Generally, government recognizes the huge benefits in establishing Special Economic Zones and shall, in collaboration with the private sector, undertake the investment necessary to make the zones

attractive. In this regard, government shall encourage the private sector investors to develop, promote and administer Special Economic Zones. Therefore, to achieve the objectives of the Special Economic Zones policy, particularly as a driving force to development, several efforts have been made by Sierra Leone government towards liberalizing the ownership, development and operation of Special Economic Zones in such a way that the private sector shall be the driving force (the Republic of Sierra Leone, 2013). The specific strategies of achieving these objectives include the following:

1. Partnership with the Organized Private Sector (OPS): Government shall encourage the OPS as agents of promoting this strategy and shall also encourage it to partner with government /relevant agencies in the establishment and management of Special Economic Zones.
2. Promotion of Partnership among Sierra Leoneans and Foreigners: For sustainable growth and development of Special Economic Zones, the spirit of partnership shall be promoted among Sierra Leoneans and Foreigners. Such partnerships shall be based on due process and law. In view of this, government shall put in place, simplified procedure for joint venture registration in the zones.

3.2.3 Small Enterprises Support

SEZs tend to principally attract foreign investment and more mature local firms. However, they also have a potential to support local SMEs. One way to do so is by encouraging SMEs to enter the zone directly by lowering entry costs. Another way is to facilitate local SMEs becoming suppliers to larger zone occupiers by streamlining procurement processes (World Bank Group, 2018). SMEs can become catalysts for a broader entrepreneurial culture and advocates for doing business in the host country. Examples for constructive interventions in this area are the establishment of incubators, encouraging larger firms to provide training, mentoring and other support services, appointing an SEZ liaison on supply chain and SME support issues, and organizing regular formal and informal dialogue between zone developers, operators and relevant national business development organizations. Such strategies have been successfully implemented in Sierra Leone. The Sierra Leone Economic Diversification Project help strengthen the business enabling environment by promoting reforms to facilitate business entry and operation, facilitate strategic public investments to improve competitiveness and private investments, support SMEs and entrepreneurs, and build the capacity of public institutions and private sector operators². In Sierra Leone, SMEs are presently facing growth challenges to include: low access to information, poor infrastructure, limited access to finance, and weak capacity to scale up businesses.

These constraints excessively impact women entrepreneurs, and the project hopes to address them through public goods investment, SME start-up acceleration, and early-stage financing. The project is consistent with the Government's Medium-Term National Development Plan (2019-2023) and its strategic objective to prioritize private sector-led growth for job creation, poverty reduction and economic diversification. The project is also aligned with the World Bank Group Africa Region Strategy, and the World Bank's focus on Maximizing Finance for Development (MFD) and Jobs and Economic Transformation (JET IDA 2019), and consistent with the priorities for sustainable growth and poverty reduction as outlined in the Systematic Country Diagnostic (SCD, 2018). The project is a key part of the World Bank's support to the Government of Sierra Leone, as articulated in the most recent Country Partnership Framework (FY21-FY26), which prioritizes support to Economic Diversification and Competitiveness with Resilience.

² <https://www.worldbank.org/en/news/press-release/2020/07/30/sierra-leone-40-million-to-support-sme-investments-and-economic-diversification>

In the Local Content Policy, the Government of Sierra Leone (2012) committed to ensure that there is utilization of Sierra Leone goods and services in a way that promotes the creation of backward and forward linkages by streamlining public procurement to give preferential margins to domestic SMEs. Government entities were encouraged to give preference to domestic suppliers according to the provisions of the National Public Procurement Act (NPPA) and Regulations regarding the award of preferential margins. The Policy also encouraged the private sector to give first consideration to Sierra Leonean goods and services in their procurement process.

3.2.4 Infrastructure Programme

The existence of modern infrastructure within SEZs as well as the provision of reliable utility services such as electricity and water are key for the success of any SEZ. The development of SEZs in Sierra Leone had been adversely affected by delays in infrastructure development and access to utility services (UNDP, 2015). The Government of Sierra Leone Medium-Term National Development Plan (GoSL's MTNDP) recognized infrastructure as a veritable tool to promote economic development and stability. Transforming Sierra Leone from lower-income country to a middle-income country will require the development of its infrastructure facilities, systems and services. A number of short, medium and long-term priority infrastructure projects have also been identified by the Office of the Presidential Infrastructure Initiative (OPII). Some of the most pressing infrastructure in Sierra Leone are those of electricity, connectivity and access to ports. Presently, only 10 percent of Sierra Leoneans have access to electricity, and lack of electricity frequently appears as one of the top three concerns for doing business in Sierra Leone. This significantly limits industrialization and constricts the ability to extend the value chains within industries, as factories and processing plants all require large amount of electricity. Less than 5% of arable land is irrigated, and only 7.6 percent of the population has access to piped water (World Bank Group, 2013).

Sierra Leone's expenditure was re-oriented to enhance investment in priority infrastructure projects such as roads, energy, and water supply to support economic growth and poverty reduction (WTO, 2017). Also, limited coverage and access to the electricity grid (which is yet to reach many of the provincial areas in Sierra Leone), has made expansion of the telecommunications infrastructure more difficult across the country and thus inhibiting the development of SEZs. Generally, Government shall monitor and ensure that the Sierra Leone Special Economic Zones serve as centres of excellence of infrastructure and services so that in the short and medium term, they will become business haven for the nation's industrial take-off. Government of Sierra Leone (2019), which documents government's 5-year plan of action across various sector between 2019 and 2023, contains critical investment in the area of infrastructure. In particular, according to Government of Sierra Leone (2020), the Medium-Term National Development Plan (MTNDP) of Sierra Leone (2019-2023) contains the key energy sector targets by 2023 which include the following:

- restore electricity in all district headquarters and cities;
- increase in electricity generation from 25% to 60%;
- increase installed electric capacity from the current 100 megawatts to 350 megawatts;
- enhance a 65% contribution to energy generation from renewable sources (e.g. solar, hydro, wind);
- connect 20 villages and eight towns in each district to the national grid or off-grid standalone schemes

3.2.5 Technology, Innovation and Industrial Upgrading framework

A high concentration of very skilled people, including many R&D personnel is a major strengths of the SEZs. As a result, SEZs have become centres of knowledge and technology generation, adaptation, diffusion, and innovation. Massive inflow of FDI provides a good opportunity for technology transfer from foreign firms to domestic firms via learning. Governments also put strong

emphasis on technology learning and innovation, as well as on technology-intensive industries. For instance, SEZ gives room for establishment of intellectual property office and implementation of a number of policies and regulations to protect intellectual property rights. Also, it leads to the implementation of various incentives to encourage high-tech industries, and increased R&D spending, and venture capital investment and to attract technology and management talents. Moreover, SEZ is expected to be closely connected to domestic enterprises and industrial clusters through supply chains or value chains. This connection not only helps achieve economies of scale and business efficiency, but also stimulates synergistic learning and enhances industrial competitiveness (Zeng, 2010).

To drive the development and uptake of innovative technologies in Sierra Leone, UNICEF and Directorate of Science, Technology and Innovation (DSTI) have developed two approaches: first, they leveraged partnerships with the private sector and share expertise. This approach, aligned with UNICEF's Strategic Plan's renewed focus on innovation and partnerships to reach, protect the rights of every child, and develop an ecosystem of partners that are able to use science- and technology-based solutions for development problems. Second, they work with people in the Ministries and Agencies to develop user-driven solutions to their day-to-day problems. Despite this efforts, innovation and level of technology remain low in the country which suggests that these approaches might have yielded little or no results.

3.2.6 Sustainability issues in SEZ development

Sierra Leone Special Economic Zone scheme can be more successful and sustainable if it starts by focusing on sectors or industries where the country currently has international comparative/competitive advantage such as minerals, Agric- industries and tourism. The initial success shall drive the growth in the other sectors. Globally, the following are the main characteristics of a Special Economic Zone:

- i. A clearly demarcated enclave within the territorial boundaries of a nation state where economic activities take place under specific rules and regulations;
- ii. A proper approval that designates an enclave a Special Economic Zone by the appropriate authority, in most cases the head of state or president;
- iii. An enclave where clusters of firms engage in similar or dissimilar business activities are licensed and encouraged through incentives and excellent facilities to contribute to the economic growth of the country; and
- iv. An enclave where government agencies collaborate to facilitate trade through a single (one stop) service delivery point, so as to minimize bureaucracy.

According to the 2013 SEZ policy in Sierra Leone, SEZ shall have the following characteristics together with the general ones highlighted above:

1. Private ownership of zones shall be encouraged under the regulation of the appropriate supervisory authority.
2. All relevant government agencies must have high level decision making presence in Special Economic Zones, so as to facilitate the one-stop-shop concept of service delivery.
3. Special Economic Zones can be located in any part of the country. However, deliberate efforts must be made to locate Special Economic Zones in ports and borders so as to ensure their success and sustainability.
4. It shall be the responsibility of the owner (government or private company) of the Special Economic Zone to provide world class infrastructure in the enclave.
5. Government shall ensure, through the appropriate agency, the administration of approved incentives in Special Economic Zones.

6. All employees, irrespective of nationality in any Special Economic Zone in Sierra Leone must pay applicable personal income taxes.
7. An enclave can be referred to as a Special Economic Zone only after it has been so approved by the President of the Republic.

3.2.7 Available skills, education & human resource development for promoting SEZ

Sierra Leone's labour market is informal, unregulated, and the labour force is lacking in specialized skills. About 90% of labourers work in the informal sector, predominantly in subsistence or other small-scale agriculture. Sierra Leone's labour force was devastated by the country's civil war of 1991-2002, and the formal employment sector is yet to recover to pre-war levels. The war led to substantial migration out of the country and destroyed the nation's education system. In a country where educational institutions once earned the moniker "the Athens of Africa," adult literacy is estimated at 48.1% (2015 est.), and businesses identify significant shortfalls in skilled professionals due to limited vocational training. While the government is developing Technical and Vocational Education and Training (TVET) programs, foreign investors find it difficult to recruit and train sufficient numbers of labourers.

However, continued government efforts have started yielding some results. As documented in the Sierra Leone Local Content Policy, the Government supports tertiary and technical institutions to provide training according to the skills needed in the economy by coordinating the private sector, foreign investors and development partners to develop the necessary skills (Government of Sierra Leone, 2012). The SEZ revitalisation policy could therefore benefit from government efforts in promoting skill workforce. The strategies adopted by the government include:

- i. Transformation of the education curriculum of tertiary, vocational, technical and commercial education institutions to prioritize science and technology according to the skills requirements of the industrial sector.
- ii. Align the education curriculum of tertiary, vocational, technical and commercial education institutions with the growth sectors of the economy, such as mining, oil and gas, fisheries, agriculture, etc to produce a skilled workforce for these sectors by 2025.
- iii. Encourage private sector investment in the development of entrepreneurship and management training institutes.
- iv. Provide incentives for sector-specific training and skills development in entrepreneurship and management, in public and private sector training institutions as well as within industry associations and at the firm-level.
- v. Encourage skills development for the youth through on-the-job training, internships and artisanal apprenticeships in established industries and firms
- vi. To encourage large domestic and foreign industrial enterprises to develop training programmes for Sierra Leoneans to ensure transfer of knowledge, technology and expertise.

3.2.8 Emerging Issues

Policy & Programmes to address climate change

Climate change continues to be a major threat to sustainable development across the globe and countries have realized the need to move away from a dependence on heavy fossil-fuel and the attendant greenhouse gas (GHG) emissions. Following global meeting and debates, there is global consensus that all the countries should contribute in efforts to fight climate change according to their respective capabilities. In developing countries such as Sierra Leone, development and climate change are two interlinked challenges as none of them can be sacrificed. Green SEZ offers a potential platform for both development and environmental sustainability. Environmental infrastructure can be maximized for industry in the Zone which otherwise could be expensive for individual companies. Also, a huge synergy effect in various forms can be fostered. These include

efficient use of low-carbon management expertise, steep learning curve, and peer pressure drive for excellence.

Following international practice, the Low-Carbon (Green) SEZ Framework has been found useful with five core components. These components include GHG mitigation target, sustainable infrastructure, climate-friendly investment generation, low-carbon policy incentives and regulations and carbon finance. In terms of mitigation targets, the SEZ is expected to establish a target and commitment to GHG mitigation at the core of its overall strategy such as 15% reduction by 2025 and renewable energy mix of 30 percent). Sustainable Infrastructure will involve planning, designing, and building a SEZ infrastructure using energy-saving, resource-efficient, and carbon-reducing techniques, including a waste reuse and recycling system. Moreover, development of a low-carbon, green SEZs can produce a low-risk environment to attract new, climate-friendly investment and technologies. Thus, developing relevant investment promotion tools to incorporate green elements in SEZ is critical. Such elements can range from intellectual property protection to green business targeting, marketing strategy, and incentives. Low-carbon policy incentives and regulations may include eliminating trade and nontrade barriers on climate-friendly products, instituting green building codes, and establishing renewable energy or energy-efficiency laws as seen in the case of Brazil, China and India. A carbon finance mechanism provides the potential for new source of funding for the development of low-carbon, green SEZs in Sierra Leone.

Gender issues in SEZ development

Occupation is still segmented by gender and represents a global phenomenon. Gender-typing of jobs, differentiating the abilities and roles of workers based on sex especially during recruitment and promotion, and devaluing women's work remains common creating social hierarchies in the workplace. Women are largely recruited in labour-intensive activities following the belief that they are unsuitable for heavy or technical work.

Special Economic Zones play a major role in addressing gender issues. For instance, SEZ development enhances employment generation, attracts FDI and new technology, ensures foreign market access, and enables a country to earn foreign exchange as exports expands. These are important for light manufacturing activities that can create employment opportunities for women. In traditional export processing zones (EPZ) models such as Puerto Rico, Ireland and Mexico, women were the "unintended beneficiaries", even though their industrialization plans were explicitly designed to reduce the high male unemployment at that time. In the three cases, zone employment became highly female-intensive. Other SEZ promotions was deliberately designed to actively facilitate the hiring of women for light manufacturing jobs as evident in East Asia.

In Sierra Leone, institutionalized gender inequalities are exacerbated by discriminatory customs, particularly with relation to marriage, property rights and sexual offences. Women and girls still have limited access to education, justice, health care, employment, as well as decision making. In terms of income, men earn far more than women, despite the higher proportion of women than men in both the working-age population and the economically active labour force (The Government of Sierra Leone, 2018). Public Administration, with over 75% of total employees, had a female employment of about 9% of its total employment in 2012. The Government of Sierra Leone has made efforts to promote gender equality and women empowerment through a number of policy formulations. For instance, The Government of Sierra Leone (2018) highlighted some policy and legal frameworks to address the gender equality issues as follows:

- ✓ The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)
- ✓ The Beijing Declaration and Platform for Action
- ✓ The Millennium Development Goals (Goal3)
- ✓ The National Action Plan for the Full Implementation of UN Security Council Resolutions 1325 (UNSCR) and 1820 (UNSCR) on Women, Peace and Security

- ✓ Ministry of Social Welfare, Gender and Children's Affairs gender policies
- ✓ Government legislation to address gender equality
 - Domestic Violence Act 2007
 - Devolution of Estates Act 2007
 - Registration of Customary Marriage and Divorce Act 2007
 - Child Rights Act 2007
 - Chieftaincy Act 2009
 - Sexual Offences Act 2012

Despite the laudable efforts of the government, gender issues continue to dominate policy debates.

Occupational & safety policies and Programmes for SEZ development

Health and safety issues are important elements in any SEZ development policy and frameworks. Establishment of a deliberate health impact assessment framework for SEZs is critical because SEZs can hold unique health and occupational risks for workers as well as communities. Since, SEZs are usually located away from capital regions, health infrastructure and other services are generally less developed. Again, the attraction of migrants to the zones increases health risks and pressurizes health facilities which calls for a coordinated health system in SEZs. Table 10 shows the health opportunities and risks in a well-functioning and poorly-functioning zones respectively as identified by the Asian Development Bank (2018).

Table 10: Health Opportunities and Risks

Well-functioning SEZ	Poorly-functioning SEZ
Universal health coverage for workers and community members	Inadequate health services for workers and community members
Harmonized health information and surveillance system	Environmental pollution
Meeting of basic essential needs such as clean water, shelter, sanitation, security, and food safety	Lack of basic needs being met including access to safe water, sanitation, shelter, security, and safe food
Proper zoning of residential, commercial, recreation, and industrial areas	Poor condition of worker accommodation
Emergency preparedness and response to respond to both industrial and community incidents	Poor emergency preparedness and response to industrial and community incidents
Good industrial traffic system with road infrastructure in good, safe condition	Disorganized and chaotic traffic
Strategic resettlement of households, when required, with infrastructure complete and in excellent condition	Resettlement happens multiple times and infrastructure remains unfinished
Separate and safe industrial and public waste management	Non-existent waste management strategies
Safe worker behaviour on- and off-site	Unsafe working conditions
Peaceful cohabitation of workers and community members	Lack of cohesion between community members and workers
Strategic location and good condition of worker accommodations	Mixing of residential and industrial uses of land (lack of appropriate buffer zones)
	Conflicts between local residents and projects

Source: Asian Development Bank (2018).

A SEZ health and safety system and health impact assessment framework is expected to consider everyone directly associated by or affected by SEZ development. These categories of people could include those

- who work in the established SEZ businesses
- whose livelihoods are positively or negatively affected
- living close to a zone or accommodation facilities for SEZ workers
- living along economic and transportation routes of SEZ-related industrial traffic
- who have been resettled as a result of SEZ development
- working in SEZ construction sites or associated businesses

In terms of input into SEZ development, implementation efforts for the health, occupational and safety element of SEZ development require human and financial contributions. A successful application of health impact assessment for SEZs rely heavily on political support from all government agencies involved in the SEZ development. The support may range from emergency preparedness and response, investment, transportation, environment, resettlement, labour and working conditions, and power. Political support is highly required to commit to the relevance of health in SEZ. Institutional arrangement for health impact assessment framework for SEZs must set up a health and safety team comprising the ministry of health, the SEZ authority, the natural resources ministry and environment ministry.

The outputs from SEZ health and safety efforts should include

- the development of a health risk registry
- the development of a health management plan
- the development and implementation of mitigation measures, including infrastructure upgrades
- the initiation of a harmonized surveillance and response system, both nationally and GMS-wide.

Leveraging regional, continental and global agreements for advancement of SEZ development

The development of SEZ is a hub for industrial activities that are necessary for export for which regional, continental and global agreements play key roles. However, the coexistence of trade agreements and SEZs poses key challenges relating to trade triangulation, competitiveness of local producers, promotion of regional economic integration, and competitive positioning (Koyama, 2011).

In terms of trade triangulation, there is a potential that any product originating outside a free trade area may enter the area free of duties through the SEZ. This may undermine the objective of SEZ development. Also, the competitiveness of local producers is eroded as producers outside of SEZ as only products processed under the SEZ program can enter the free trade member countries' local market as originating products. Moreover, there is a threat to promotion of regional economic integration due to the risk of crowding out of infant local suppliers. In the same vein, the competitive positioning of the SEZ may be lost as regional trade agreements turns regional export markets for SEZ firms into "domestic markets". This gives them equal opportunity for market access with non-zone-based firms, with implications for the ability of SEZ firms to maintain export requirements on which their incentives are based.

Despite the issues, Koyama (2011) identified potential areas where SEZ can leverage on the complementarities between SEZ and FTAs. This includes:

- Harmonizing regulations
- Taking collective action to lower or remove financial incentives (e.g., general investment incentives)
- Establishing strategic frameworks as a region, such as joint marketing of region as investment destination, creation of industrial linkages among SEZs in FTAs, specialization of SEZs based on comparative advantage relative to other members in FTA.

The African Continental Free Trade Agreement (AfCFTA) holds that State Parties shall not impose quantitative restrictions on imports from or exports to other State Parties. However, within the AfCFTA protocols, SEZs products are subject to regulations that developed by the Council of Ministers.

Promoting compliance with international standards and adoption of quality management system

International standards and product quality are key aspects of international competitiveness which SEZs can promote. Specifically, SEZs can give firms the needed competitiveness edges in international market through emphasis on quality which is achievable through implementation of key components of Total Quality Management (TQM). Total Quality Management focuses on continuous improvement of product quality that meets the need of the customers. There must be a deliberate effort on the part of the SEZ Authority to embrace an integrated quality management system to achieve a superior level of quality for products produced within the SEZs.

According to the Total Quality Management model which is widely applied, a combined effort of both top level management and employees are desirable in formulating effective strategies and policies to deliver high quality products within the SEZs. The top-quality products produced will not only meet but also exceed customer satisfaction. Quality rather than quantity is the focus, and customer feedbacks and expectations are critical in formulating and implementing new strategies for superior products than competitors. This mission eventually yield higher revenues and profits for the individual firms in the SEZs.

As a principle, the management system must emphasize prevention of waste and good product design. Specifically, kanji and Wong (1999) highlighted some management principles required for improving the performance of organizations. There include:

- process management
- customer satisfaction
- teamwork
- strategic leadership
- systems thinking
- continuous improvement
- scientific management

3.4 International Experience

3.4.1 Overview

Establishing a SEZ requires strong policy and infrastructure frameworks. International experience shows that successful SEZs are those with compelling business cases, enabling legal and regulatory frameworks, effective management arrangements and strong political support at all government levels. Such SEZs are also well linked with the local economy with unambiguous ownership and accountability arrangements and are integrated into national economic development strategy. According to World Bank (2012), the following are the key attributes of successful SEZs:

- A. Physical planning and infrastructure
 - a. Integrated, multi-use development
 - b. Effective IT systems and networks
 - c. Availability of specialized facilities and business services
 - d. Public provision of off-site infrastructure
- B. Development Approach
 - a. Business driven (demand driven as opposed to policy driven)
 - b. Part of a national economic growth strategy
 - c. Public-private partnerships or private developer builds/owns/operates SEZs on cost-recovery basis
- C. Policy Features
 - a. Political consensus – political ‘champions’ to support required reforms
 - b. Best practice regulatory framework and stable business environment

- c. Targeted at multi-markets and not just for exports
- d. Wide range of activities permitted
- e. Emphasis on deregulation and de-monopolization
- f. Streamlined procedures to establish and operate enterprises
- g. Shift towards universal tax incentives/low tax area
- h. Adherence to universal labour rights
- i. Environmental compliance
- j. Equal treatment of all foreign and domestic companies
- k. Incentives for private developers
- D. Institutional Framework
 - a. Establishment of a single administration to manage zone activities and high-level political support
 - b. One-stop shop for efficient zone regime regulation
 - c. Autonomous, flexible, well-funded regulatory authority
 - d. MOUs with stakeholders to govern relationships
 - e. Public-private partnership arrangements

3.4.2 Case Studies

3.4.2.1 Kigali Special Economic Zone

The Kigali Special Economic Zone (KSEZ) was set up through the merger of former Kigali Free Trade Zone and the Kigali Industrial Park projects. Potential companies acquired land through the “developer” (private company) but under the regulation of the Special Economic Zones Authority of Rwanda (SEZAR). All imported goods are subject to customs control at importation, through the manufacturing process, to the time of sale/export, or duty payment for home consumption.

Following a revision of the 2010 SEZ policy, as contained in Rwanda Ministry of Trade and Industry (2018), the revised policy framework detailed a number of policy issues:

Policy Issue 1: Scope of Zones and Eligibility Criteria

- i. A flexible regime allowing different types of Zones
- ii. Broad set of activities allowed, subject to general negative list
- iii. No eligibility criteria for Users
- iv. There is no differentiation of Zones when it comes to incentives. All receive those offered by the Investment Code
- v. Performance incentives are introduced for Zone Operators to maximise economic value of Zones

Policy Issue 2: Public and Private Participation in SEZ Programmes

- i. Full spectrum of PPPs allowed with emphasis on encouraging private sector to take the lead, including provision for fully private Zones
- ii. Public investment to be guided by economic cost-benefit analysis
- iii. Government equity investment should be guided by internal rate of return; co-investing to reduce risk to private developer, where there is potential of later privatisation
- iv. Zones be operated on commercial terms, except where there is a monopoly
- v. Land price regulation is introduced
- vi. The role of public vs private actors, including the issue of routine maintenance

Policy Issue 3: Zone Designation Criteria and Process

- i. Both public and private entities may suggest new Zones
- ii. Both pre-designated and non-pre-designated land may be suggested
- iii. Defined, formal designation process, including demand forecasts, feasibility study and physical planning

- iv. SEZAR to conduct Cost-Benefit Analysis (CBA) and make recommendation to Cabinet
- v. Clear direction on the progressive nature of zone development and on internal zoning requirements

Policy Issue 4: Land Use Regime for SEZs

- i. SEZ land be classified as ‘public interest’
- ii. Specific Land Regime be issued for SEZs
 - a. Foreigners may lease; locals may lease or own
 - b. Maximum lease terms are 99 years, renewable and transferable
 - c. Full transfer lease rights
 - d. Creditors’ rights be protected in case of default
 - e. Right to continued occupancy and non-disturbance
 - f. Liberal rights to change land use, within zoning regulation
- iii. Neither locals nor foreigners may own land outright, only lease. More details are also introduced on the ‘use it or lose it’ clause.

Policy issue 5: Zone Benefits

- i. Special fiscal incentives, such as 15% Corporate Income Tax (CIT) and duty-free imports on inputs
- ii. Government of the Republic of Rwanda (GOR) obliged to provide and maintain public infrastructure and services
- iii. Regulatory relief and streamlined procedures, to be implemented through OSCs in each Zone

Policy Issue 6: Complementary Policies and Safeguard Measures

- i. Developers and GOR are actively encouraged to develop support programmes for backwards linkages and technological/knowledge spill-overs. This incorporates the Made in Rwanda mind set, while Industrial Development and Exports Council (IDEC) and SEZAR form the institutional framework to ensure successful implementation of support programme.
- ii. Maintain labour and environmental standards
- iii. Sector-specific SMI Parks were to be set up in each Zone, to support SMIs with huge growth potential scattered around the country with no capacity to access Zone land on commercial terms

Policy Issue 7: Institutional Framework for the management of SEZ Programme

- i. SEZAR as a single regulator should be established as a unit in then-MINICOM, with adequate administrative powers, funding and staffing
- ii. SEZAR remains as a unit in Rwanda Development Board (RDB), but must acquire adequate administrative powers, funding and staffing. SEZAR’s mandate should be extended to land earmarked by GOR for Zone development.
- iii. SEZAR should as a matter of priority set out MOUs with all relevant Government of Rwanda stakeholders, to ensure that SEZ Users do not have to go through two processes to obtain User Licenses and the benefits under the Investment Code from Investment Certification.

The management model as highlighted in the SEZ policy of Rwanda are highlighted in Table 11. The Government of Rwanda are seen to play limited role in Zone operations as the private has the leading role as fully public Zones tend to be less successful following international experiences.

Table 11: Management Models in SEZs Development

Management model	Land facilitation and ownership	Development of basic infrastructure	Development of specialised infrastructure	Operations and maintenance
Special purpose Vehicle	Government of Rwanda	Special purpose Vehicle	Special purpose Vehicle	Special purpose Vehicle
Concession agreement (BOOT)	Government of Rwanda	Private	Private	Private
Concession (Government of Rwanda constructs basic infrastructure)	Government of Rwanda	Government of Rwanda	Private	Private
Concession (Government of Rwanda constructs all infrastructure)	Government of Rwanda	Government of Rwanda	Government of Rwanda	Private
Common for all models	i. Ministry of Infrastructure will undertake the development of the road network and necessary infrastructure to the Zones ii. Land ownership remains with Government of Rwanda iii. SEZAR is the regulator and will also run the One-Stop-Centres in Zones iv. Routine maintenance of the Zones must be carried out by the operators v. Government of Rwanda shares revenue from Zones with local government			

3.4.2.2 Dakar Integrated SEZ

The Dakar Integrated SEZ was established in 2007 to host economic activities and provide businesses with the appropriate infrastructure and services they require to operate in the best conditions. The businesses established within the Zone will benefit from an incentive-driven tax framework defined by law and procedures facilitating their operation. The project will include an industrial park, service spaces, offices and a logistics platform. The zone will also incorporate a commercial area, tourist complexes and residential areas. The following are the key provisions of the policy establishing the SEZ.

- i. 100% foreign ownership
- ii. One single authority for all licenses, permits and authorisation
- iii. Availability of serviced land and pre-built units for industrial, Commercial, logistics and services use
- iv. A relaxed foreign labour regime
- v. Freedom to obtain foreign currency
- vi. Protection of property rights
- vii. Exemption from customs duties and taxes on all imported goods
- viii. Exemption from payment of any direct income taxes
- ix. A flat 2% rate tax applicable on sales on local market
- x. Full repatriation of profits and capital
- xi. One single authority for all licenses and permits is provided along with more relaxed laws in relation to the recruitment of foreign labour.

3.4.2.3 Special Economic Zones in Guangdong Province, China

The articulation of the Special Economic Zones (SEZs) is a key measure introduced by the Chinese Government, to liberalise the external sector of the Chinese economy. This policy was among the

early attempts to test seeds of capitalism (Zeng 2011) within a socialistic framework to act as prime engines of economic transformation of the country which gained worldwide attention and widespread emulation. The regulation setting up the SEZs is provided in 26 Articles, the various provisions are summarized as follows:

- i. The special zones shall encourage foreign citizens, overseas Chinese, compatriots from Hongkong and Macao and their companies and enterprises to open factories and set up enterprises and other establishments
- ii. Enterprises and individuals in the special zones must abide by the laws, decrees and pertinent provisions of the People's Republic of China.
- iii. A Guangdong Provincial Committee for the Administration of Special Economic Zones shall be set up to exercise unified administration of the special zones on behalf of the Guangdong Provincial People's Government.
- iv. The special zones shall provide investors with a wide scope of operation, create favourable operating conditions and guarantee them stable business sites. Investments must be significant for international economic cooperation and technical exchanges.
- v. Land-levelling projects and various public works in the special zones shall be undertaken by the Guangdong Provincial Committee for the Administration of Special Economic Zones.
- vi. Each of the special zones shall invite Chinese and foreign specialists and relevant personages who are enthusiastic about China's modernization programme to form an advisory committee that will serve as a consultative body for that special zone.
- vii. Investors wishing to open factories or set up various economic undertakings in the special zones shall apply to the Guangdong Provincial Committee to issue them registration certificates and land use certificates after examination and approval.
- viii. Investors may open accounts and conduct their foreign exchange transactions with the Bank of China established in the special zones or with other banks established there with the approval of the Chinese side.
- ix. Products of the enterprises in the special zones shall be sold on the international market. Products can only be sold locally with the approval of the Guangdong Provincial Committee
- x. Investors may operate their enterprises independently in the special zones and employ foreign personnel for technical and managerial work.
- xi. If an enterprise established by an investor in the special zones wishes to terminate operations before its scheduled expiration, it shall report the reasons to the Guangdong Provincial Committee, go through termination procedures and settle claims and debts.
- xii. Land in the special zones is owned by the People's Republic of China. The land to be used by investors shall be provided according to actual needs, and preferential treatment shall be given with respect to the duration of its use, the amount of the use fee and the method of payment according to the different types of business and uses.
- xiii. The machinery and equipment, spare parts, raw and semi-processed materials, means of transportation and other capital goods necessary for production that are imported by enterprises in the special zones shall be exempted from import duties.
- xiv. The enterprise income tax rate in the special zones is 15 percent. Special preferential treatment shall be given to enterprises established within two years of the promulgation of these regulations, to enterprises with an investment US\$ 5 million or more, and to enterprises involving higher technology or having a longer period of capital turnover.
- xv. The lawful profit that an investor receives after payment of the enterprise income tax, and other expenses, may be remitted abroad through the Bank of China or other banks in the special zones, in accordance with the provisions of the foreign exchange control measures of the special zones.
- xvi. An investor that reinvests its share of the profit in the special zones for a period of five years or longer may apply for a reduction of or an exemption from income tax on the reinvested portion.

- xvii. Enterprises in the special zones shall be encouraged to use machinery and equipment, raw and semi-processed materials and other materials produced in China
- xviii. Entry and exit procedures shall be simplified and conveniences given to the foreign personnel, overseas Chinese and compatriots from Hongkong and Macao entering and leaving the special zones.
- xix. A labour service company shall be set up in each of the special zones. Chinese staff members and workers to be employed by enterprises in the special zones
- xx. The staff members and workers employed by enterprises in the special zones shall be managed by the enterprises according to their business requirements and, when necessary, may be dismissed, after going through the procedures provided in the labour contracts.
- xxi. The wage levels, types of wages, award measures and the labour insurance and various state subsidies for the Chinese staff members and workers of the enterprises in the special zones shall be included in the contracts signed by the enterprises with the staff members and workers as stipulated by the Guangdong Provincial Committee.
- xxii. Enterprises in the special zones shall adopt the necessary measures for labour protection to ensure that staff members and workers work in safe and hygienic conditions.
- xxiii. The Guangdong Provincial Committee shall draw up development plans for the special zones and organize their implementation
- xxiv. A Guangdong Provincial Special Economic Zones Development Company shall be set up to suit the expanding economic activities in the special zones.
- xxv. These Regulations shall go into effect after they have been adopted by the People's Congress of Guangdong Province and submitted to and approved by the Standing Committee of the National People's Congress of the People's Republic of China.

3.4.2.4 Free Zones in Nigeria

Nigeria has about 25 active free zones with different models of management. SEZs in the country is controlled by the Nigeria Export Processing Authority (NEPZA). The following are some of the policy issues as provided by the Act setting up the SEZs and the NEPZA:

1. Applications to undertake approved activity in a zone as provided by the Act shall be accepted by the Authority/Zone Management
2. Application to undertake approved activity in a Zone shall be made on forms provided by the Authority/Zone Management.
3. The licensing, monitoring, and regulation of all free zones in Nigeria is vested in the Authority.

Approved enterprises within Nigeria Free Zones shall be entitled to the following incentives and concessions:

- a. Legislative provisions pertaining to taxes, levies, duties and foreign exchange regulations shall not apply within the free zones
- b. Repatriation of foreign capital investment in the zones at any time with capital appreciation of the investment
- c. Remittance of profits and dividends earned by foreign investors in the zones
- d. No import or export licenses shall be required
- e. Up to 100% of production may be sold in the customs territory against a valid permit, and on payment of appropriate duties
- f. Rent free land at construction stage, thereafter rent shall be as determined by the Authority or Zone Management
- g. Up to 100% foreign ownership of business in the zones allowable
- h. Foreign managers and qualified personnel may be employed by companies operating in the zones

- i. The import duty on goods manufactured, processed or assembled in the free zones and exported into the Nigerian customs territory, shall be the rate applicable to the raw materials (in the state in which they are originally introduced into the free zones)

There are also clear procedures guiding the operation and activities in the Zones as set out by the NEPZA. These procedures and regulations cover the following areas:

- i. Importing goods into the free Zone
- ii. Exporting goods from the free Zone
- iii. Handling goods that require repair and maintenance
- iv. Goods being transferred from one licensee to another within a zone
- v. Transferring goods between one free zone and another
- vi. Licensing of free zones and business enterprises
- vii. Free zone registry
- viii. Taxation
- ix. Banking
- x. Employment of human resources, insurance and social security
- xi. Immigration
- xii. Health, safety and environmental
- xiii. Physical planning and construction

PART IV: INSTITUTIONAL ARRANGEMENT FOR IMPLEMENTATION OF SEZ POLICY

Analysis of the implementation of SEZ policy is undertaken using survey of relevant stakeholders to the SEZs development. All respondents are key top management officials of Ministries, Departments and Agencies (MDAs). These MDAs include Sierra Leone investment and Export Promotion Agency (SLIEPA), Sierra Leone Produce Marketing Produce Company, Cooperative Department, and Sierra Leone Standards Bureau.

4.1 Institutional Arrangement

4.1.1 Legal and Regulatory arrangements for SEZ Development

A critical part of SEZ development in Sierra Leone is the setting up of an institutional framework to ensure the success of SEZs. In line with international best practice, an Authority, such as the Sierra Leone Special Economic Zones Authority (SSEZA), is expected to oversee the administration, development and strategic direction of the Zones. The Authority is expected to be autonomous in discharging its roles including issues relating to staffing, budget, spending and policymaking. The Authority should be flexible and free from civil service rules with power to make independent decision.

In a stakeholders opinions survey in terms of workable zone administrative models for Sierra Leone, half of them (respondents) supports government authorities and corporation, and investment promotion agencies (Table 12). Only 25% believed in the use of either zone-specific management boards, public-private partnership or cross-country private and state-state partnerships with clear regulatory framework. However, the private sector largely emphasized a model that actively involve them in the administration of the zones.

Table 12: Zone Administrative Models for Sierra Leone

Model	Yes
Government authorities or corporations	50%
Ministries	-
Zone-specific management boards	25%
Investment promotion agencies	50%
Public-private partnership	25%
Cross-country private and state-state partnerships with clear regulatory framework	25%

Source: Stakeholders' Survey 2021

4.1.2 Essentials of SEZ Legal and Regulatory Framework

Following standard practice around the world, the legal and regulatory framework for SEZs should be clear and unambiguous. This is also well understood by all stakeholders who participated in the survey. They agree that the framework must set unambiguous ground rules for all actors involved in the development of the SEZs as well as the operation of the zones including the various activities (Table 13). Stakeholders also confirm that the importance of a clear and detailed framework that is flexible enough to meet local requirements and evolve to meet changing policy needs. The need to avoid creating institutional conflict through overlapping regimes, responsibilities, and accountabilities was also emphasized. Moreover, as shown in Table 14, participating stakeholders pointed out the essential processes that must be adequately captured in the regulatory mechanism for monitoring of SEZs operations in Sierra Leone. For instance, all stakeholders stress the ease of getting approvals for setting up a SEZ while 75% of them believed that acquisition of land process for SEZ is critical. Redressal of grievances including compensation, and displacement issues is also an important component of the mechanism as confirmed by 75% of respondents. The same proportion of respondents agree that issues such as getting permission from the custom authorities, as well as sanctions of claims; process of de-notification & exit, must be adequately captured.

Table 13: Essentials of SEZ Legal and Regulatory Framework

Factor	Yes
Set unambiguous ground rules established for all actor	100%
Provide a clear and detailed framework flexible enough to meet local requirements and to evolve to meet changing policy needs.	100%
Avoid creating institutional conflict through overlapping regimes, responsibilities, and accountabilities	100%

Source: Stakeholders' Survey 2021

Table 14: Processes in a Regulatory mechanism for Monitoring of SEZs

Process	Yes
Getting approvals for setting up a SEZ	100%
Acquisition of land process for SEZ	75%
Redressal of grievances including compensation, and displacement issues	75%
Getting permission from the custom authorities	75%
Sanctions of claims; process of de-notification & exit	75%

Source: Stakeholders' Survey 2021

4.1.3 Composition of Sierra Leone SEZ Authority (SSEZA)

The Authority is expected to have a Board of Directors to oversee the strategic direction and SEZs operation in the country. In terms of composition of the Board, it should include representatives from the public and private sectors, as well as non-state actors, as appointed by the government through the Minister of Trade and Industry. Also, an administrative committee should be set up for each SEZ established to run the daily affairs following the regulations and guidelines of the SSEZA.

4.1.4 Core Functions and Guiding Principles of Sierra Leone SEZ Authority (SSEZA)

The SSEZA is expected to perform the following core functions:

1. Handle all registration issues for all businesses to be housed in the zone.
2. Certify eligible activities
3. Report to the highest Government Authority
4. Administer, coordinate and implement internal planning, land use and environmental matters, business registration and licensing, and procurement.
5. Promotion and marketing, trade facilitation, health matters, security and law enforcement, labour relations, utilities regulation, and tax and customs administration
6. Establishment of SEZs in designated locations of the country as advised by the Board of Directors

The guiding principles for the operation of SSEZA include the following.

1. The operation and activities of the SSEZA shall be guided by the provision of the law establishing it.
2. Decisions regarding the location, the nature and activities of the businesses to be carried out within SEZs shall be in accordance to the policies as highlighted by the SSEZA.
3. The SSEZA Authority should operate the SEZs as a profit-making enterprise.
4. Conflict resolution shall follow the steps provided by the relevant policy provided by the SSEZA
5. The SSEZA is responsible to the Minister of Trade and Industry

4.2 Suggested SEZ Types and Development Model for Sierra Leone

The understanding of the type of SEZ to be established provides a preliminary information for the model to be adopted and the appropriate institutional framework. Different types of SEZ model exist and the choice of a particular type depends largely on the need and the nature of economic activity for which the country has comparative advantage. Analysis of stakeholders in the SEZ survey, shown in Table 15, indicate that all respondents emphasized the need for Free Trade Zones (FTZ) in Sierra Leone, while 75% favoured Export Processing Zones (EPZ) and Comprehensive Special Economic Zones (CSEZ). Half of the respondents believed that Industrial Parks (IP) and High-tech Zones (HZ) are key to the economic development efforts in the country. While only 25% of the stakeholders think that Eco-industrial Zones or Parks (EIZ) should be developed, all respondents agree that there is no need for Enterprise Specific-single Factory Zones (ES) and Bonded Areas (BA) at the moment.

Table 15: Stakeholders Opinion on the Type of SEZ for Sierra Leone

S/N	Type of SEZ	Description	Stakeholders Opinion
1	Free Trade Zones (FTZ)	FTZs duty-free fenced in designated areas providing storage, and distribution facilities for trade, trans-shipment, and re-export operations	100%
2	Export Processing Zones (EPZ)	EPZs are industrial areas having an industry or a combination of industries primarily focusing at foreign markets	75%
3	Comprehensive Special Economic Zones (CSEZ)	Comprehensive or Multifunction SEZs are large industrial amalgamations having industrial, service and urban-amenity operations.	75%
4	Industrial Parks (IP)	Industrial Parks are large manufacturing or R&D based sites that work at a smaller scale as compare to comprehensive SEZs	50%
5	Enterprise specific-single factory zones (ES)	Provide incentives to individual enterprises regardless of where their location is, (they are not required to be located in any specific geographical location)	-
6	Bonded areas (BA)	These are secured territories, in which goods are stored, manipulated, or can undergo manufacturing operations without payment of duties. The major difference is that a “bonded area” is subject to customs laws and regulations whereas an FTZ is exempted	-
7	High tech zones (HZ)	These are aimed at promoting R&D activities and advancement in technology or industries based on science, e.g., pharmaceutical	50%
8	Eco-industrial zones or parks (EIZ)	These SEZs focus on sustainability concerning waste reduction and improving the environmental performance of companies	25%

Source: Stakeholders' Survey 2021

In terms of the model for developing the SEZs, most of the government stakeholders who participated in the survey emphasized the use of government developer while half of them believed that either private domestic, private foreign or a combination of government and private foreign developers is appropriate (Table 16). A few of the participants are of the opinion that either a combination of government and private domestic developers or private domestic and foreign developers should be adopted. However, consultative meeting with the private sector firms shows overwhelming support for a private sector driven SEZ development model.

Table 16: Stakeholders' Opinion on SEZ Development Model for Sierra Leone

S/N	SEZ Development Model	Yes
1	Government developer	75%
2	Private domestic developers	50%
3	Private foreign developers	50%
4	Both government and private domestic developers	25%
5	Both government and private foreign developers	50%
6	Both private domestic and foreign developers	25%
7	Single unit	-
8	Scattered units	-

Source: Stakeholders' Survey 2021

For effective SEZ development and operation, as well as functioning of the SEZ regulatory Authority, a number of factors have been reported to be expedient. Analysis presented in Table 17 also shows the overwhelming agreement of all stakeholders to most of these factors. For instance, the institutional mechanisms underpinning the SEZ regulatory authority must balance authority and independence with inclusiveness. This allows the Authority to function with minimal government interference in matters that can be effectively handled by the Authority. Also, stakeholders agree that the institutional and administrative structures of the regulatory authority is critical in determining the effectiveness of the authority in carrying out its critical function of cross-agency coordination. Moreover, decentralization of zone authorities are seen to present opportunities for competition and innovation, but in most low-income countries, scale and capacity limitations outweigh the potential benefits.

Respondents warned that although having a one-stop shop is the objective of virtually all zone programs, effective administrative delivery may be hampered by weak institutional authority and coordination. This essentially call for efforts to ensure strong institutional authority and coordination in the SEZ development and operation. It is emphasized that customs operations, which are critical sources of competitive advantage in any successful zone, must be given the authority and capacity to deliver an efficient clearance service. In this respect, the complementary facilities and operations at ports and airports must be well considered and provided.

Table 17: Stakeholders Opinion on Institutional Framework and SEZ Regulatory Authority

Factor	Yes	No
The institutional mechanisms underpinning the SEZ regulatory authority must balance authority and independence with inclusiveness	100%	
The institutional and administrative structures of the regulatory authority play an important role in determining how effectively the authority carries out its critical function of cross-agency coordination	100%	
Most SEZ authorities suffer from a lack of clear, medium-term predictability in their operating budgets	50%	
There is usually Institutional Conflict	75%	25%
Decentralization of zone authorities presents opportunities for competition and innovation, but in most low-income countries, scale and capacity limitations outweigh the potential benefits	100%	
Having a one-stop shop is the objective of virtually all zone programs, however effective administrative delivery is hampered by weak institutional authority and coordination	100%	
In successful zones, customs operations are identified as critical sources of competitive advantage and are given the authority and capacity to deliver an efficient clearance service	100%	
Customs effectiveness goes well beyond the gates of the zones; it depends critically on the facilities and operations at ports and airports	100%	

Source: Stakeholders' Survey 2021

4.3 Partnership for the Implementation of SEZ

Building a world-class modern SEZs requires adequate consultations and cooperation among ministries and all stakeholders with clear responsibility. Thus, a critical aspect in the development of SEZs in Sierra Leone is the strengthening of partnerships. Different areas of partnerships are suggested as follows:

4.3.1 Partnership among Government Ministries, Departments and Agencies (MDAs)

The Ministry of Trade and Industry continues to provide oversight functions for the SEZs on behalf of the Sierra Leone Government. The Ministry is expected to consult with other key MDAs such as Ministries of Finance, Energy, Agriculture and Forestry, Works and Public Assets, Environment, Transport and Aviation, Labour and Social Security, Foreign Affairs, National Revenue Authority, Customs and Excise Department, Bank of Sierra Leone, Standards Bureau among others. It is important to take critical decisions relating to the effective operation of the SEZs and the smooth flow of activities by businesses housed. Such decisions cut across these MDAs and could include issues relating to tariffs and customs; legal and judicial matters and reforms; access to financial services; enforcement of standards; effective backward linkages and value chain issues in agriculture; tourism; transportation; and telecommunications, among other ministries.

4.3.2 Partnership with the Private Sector and Civil Society

The Ministry of Trade and Industry is expected to get the private sector and civil society involved at important stages of the development of the SEZs. The private sector can be in the form of trade, producer and consumer associations, such as the Chamber of Commerce, Industry and Agriculture that are central to the success of the SEZs. Such collaborations should also be extended to the university and research centres, and media for policy informed evidences as well as to build public trust and support. An important aspect of collaboration with the private sector is in the area of the SEZs development model. Common international practice is the use of Public-Private Partnership (PPP) approach. The government does not necessarily finance all aspects of the SEZ development project with its own resources. This approach has been adopted in many countries such as China, Egypt and Nigeria.

4.3.3 Partnership with the External Stakeholders

It is important for the Ministry of Trade and Industry to collaborate with external partners to give the zones an international outlook. Such collaboration may be key to exporting activities of firms in the zones and further development of the zones. A number of foreign stakeholders can be considered including the ECOWAS (for presence in West Africa); the African Union (to key into the African Continental Free Trade Agreement –AfCFTA and other African-wide initiatives such as the African Regional Industrial Property Organization-ARIPO); the World Trade Organization (WTO); the World Intellectual Property Organization (WIPO); UNIDO, UNICEF, GIZ, the World Bank; the African Development Bank and other relevant international organizations and financial institutions. These partnerships are also important in implementing SEZs policy, mobilizing resources and building capacity.

4.3.4 Coordination of Stakeholders Activities

The Ministry of Trade and Industry need to set up a National Coordinating Committee to coordinate all stakeholder engagements and discussions on SEZ-related issues. The Committee should comprise all relevant ministries and the private sector, as well as the academia. The Committee is expected to work in consultation with the National Coordinating Committee on Trade (NCCT) on trade related issues and negotiations for the SEZs.

4.4 Capacity Building for Implementation of SEZ Policy

The Ministry of Trade and Industry is expected to recruit highly skilled staff for the SSEZA and trained the existing ones for optimal functioning of the Authority and its Departments. Regular training should be organised for staff in various areas of the implementation of SEZ policy for Sierra Leone. Capacity for gathering necessary data on all areas of SEZ activities to ensure availability of accurate information to aid the design and implementation of policy and programmes for SEZ development in the country and support the conduct of monitoring and evaluation (M&E). The capacity of the other ministries and stakeholders, including the private sector involved in implementation of SEZ policy must also be strengthened.

PART V: STAKEHOLDERS ANALYSIS

5.1 Introduction

The rationale for the review of the Sierra Leone's special economic zone policies is based on the idea that the country needs effective and current policies that position it to be able to withstand the ever-changing domestic circumstances, and regional as well as global phenomena that pose opportunities and threats. Apart from the perpetual need to rebuild the war battered economy, Sierra Leone's economy needs to be repositioned to be able benefit from series of reformation of bilateral, regional and global trade and economic integration arrangements that present opportunities while also posing treats. The current concerns of the Sierra Leone's government include the following.

- Rebuilding the regional and global competitiveness of the ailing economy which faded since the outbreak of the war;
- Promoting diversification of the economy which lacks growth, instability, structural and institutional transformations;
- Strengthening the industrial sector characterised with low value addition and employment generation potential;
- Rebuilding the moribund special economic zone to serve as a driver of industrial development;
- Financing infrastructure that hinders social and economic activities;
- Empowering the youth suffering from non-employability problem and small businesses suffering from assistance;
- Positioning the country to tap the potential benefits of the African Continental Free Trade Agreement (AfCFTA) and minimizing the potential treats.

Further, Sierra Leone's industrial and special economic zone policies have to be reviewed so as to be consistent with the shift in global paradigm especially in the emerging areas of digitalization, climate change, gender concerns and the reconfiguration of the regional and global value chain.

Stakeholders of the Special Economic Zone policies are those who will affect or be affected by the implementation and outcomes of the policies. The stakeholders' consultative meeting is therefore important because it enables the government to identify who the key stakeholders are and understand their relationship as well as roles in the formulation and implementation of the policies. It offers them a chance to voice their opinions and ensures that the government has greater clarity and a shared vision among its major industrial development partners. It mobilises people to come together to pool knowledge, experience, and expertise for the purpose of co-creating solutions. It assists in building strategic and collaborative partnerships and new relationships that generate significant outcomes. It helps to reduce the level of risk at each stage of the development of the policies.

The main objectives of the Stakeholders' Consultative Meeting include the following.

- Consult and kindle stakeholders' support based on their expectations and priorities for industrial development in the country;
- Create a joint overview of the systemic challenges and needs of the Sierra Leonean stakeholders which have to be taken into consideration in the formulation and implementation of the industrial and special economic zone policies;
- Define steps for the strengthening and consolidation of the existing industrial and special economic zone policies; and for exploring ways for collaboration in the formulation and implementation of the policies;
- Share knowledge, good examples and interact with local stakeholders on ways to bridge the gap to local actions.
- Gather useful documents and data for acquiring knowledge and preparation of the policy documents;

- Administer the prepared survey questionnaires to capture the views of the Stakeholders whether participating in the meeting or not.

5.2 Identification of Stakeholders and their Roles in the Special Economic Zone

Development

The success of a SEZ depends on the extent to which relevant stakeholders are involved in the formulation, development and implementation of the associated SEZ policy. The Ministry of Trade and Industry produced a list of stakeholders including actors from both the public and private sectors. From the angle of the public sector, the Ministry of Trade and Industry included its own management staff, key officials and affiliated departments and agencies as well as related Ministries, Departments and Agencies (MDAs). These include Finance and Budget, Economic Planning and Development, Energy, Water resources, Information and Communication, Agriculture, and Labour and Youth Development as well as their Departments, and Agencies. The Organized Private Sector (OPS), large industrial players, current FIRST STEP operators, community-based organizations, as well as the Development Partners are also part of the list.

Stakeholders provide vital information on the current issues and challenges which inform good situation analysis of the existing SEZ policy and industrial development in the country. For instance, the current operator of FIRST STEP identified energy and water access as serious problems. The Ministry of Trade and Industry identified that the existing SEZ is non-functional, improperly designed with no developer and manager while focusing only on agro-processing. The Ministry also noted that the SEZ is unable to attract both domestic and foreign firms, reiterating the need for good transport system and ICT development as well as sound regulatory and facilitation framework. They also made cases for balancing the spread of SEZ and coordinating them, improving business environment and the multiplier effect of SEZs. Other problems identified include standard issues; inadequate linkages between the big and small firms; poor level of awareness and capacity; poor market access and compliance with Local Content Policy; and bureaucracy and poor institutional coordination.

In a consultative meeting with the Ministries of Finance, Mines and Minerals Resource, Environment, Fisheries, Information and Communication, Labour and Social Security, and Planning and Economic Development, a number of key impediments to SEZs development in Sierra Leone were mentioned. These include:

- ✓ Conflicting goals of the Ministry of Finance (tax) and the firms (profit) in the SEZ
- ✓ Poor incentive framework and issues with waivers
- ✓ Lack of duty draw back scheme
- ✓ Poor social protection for workers and inadequate dialogue platforms between workers and firms
- ✓ Significant skills gap especially technical skills
- ✓ The lack of SEZ policy prior to the establishment of the first SEZ
- ✓ Lack of SEZ authority to manage the SEZ.
- ✓ Poor identification of institutions required for effective functioning of the SEZ
- ✓ Problem of inter-ministerial coordination, collaboration and information dissemination

The private sector also identified a number of challenges in the SEZ development in a consultative meeting with them. These are highlighted as follows:

- ✓ Unstable finance bill
- ✓ Problems of infrastructure such as road, electricity, water etc.
- ✓ Problem with classification of our products for the purpose of export
- ✓ Excise tax rise which makes us non-competitive
- ✓ Problem of smuggling.
- ✓ Delay in granting approval

- ✓ Inadequate port facilities which increase fines and create delays
- ✓ Inadequate technical skills
- ✓ High transport cost

The development partners also raised a number of issues as follows:

- ✓ The issue of security of business
- ✓ Policy document not seriously backed by the government
- ✓ Inadequate public-private sector linkage co-ordination
- ✓ Poor integration of trade strategy into the industry strategy
- ✓ Poor spillover to the economy from SEZ
- ✓ Lack of honest rigorous industrial planning and implementation
- ✓ Problem of contract enforcement and corruption
- ✓ Problem of land tenure and land right
- ✓ High interest rate; high level of indebtedness; but low level of credit worthiness
- ✓ The high rate of default and infrastructure decadence
- ✓ Incomplete supply chain planning

The Presidential Advisor Committee on Infrastructure Development identified that the lack of standard policy document and legislation to work with may jeopardize their efforts on SEZs. They advised that government should do SEZ without incurring a lot of debt while advising that the SEZ authority should come from the Ministry of Trade and Industry. They also emphasize the need for bonded warehouse while providing a role for the customs. Roles are therefore provided for all relevant stakeholders as contained in Table 18:

Table 20: Roles of Stakeholders in the development of SEZ

Stakeholder	Roles
Ministry of Trade & Industry	<ul style="list-style-type: none"> • Cooperating with the consultants to produce a practicable and localized policies • Development of policies and strategies for SEZ operation • Setting up the National Coordinating Committee on SEZs (NCCSEZ) • Setting up of the SEZ Authority • Develop the vision, mission, goals and objective of the industrial and SEZ policies • Awareness creation for SMEs & capacity building • Ensuring compliance with Local Content Policy • Setting up public-private dialogue platform • Align SEZ with National Cooperative Development Policy • Design waivers and incentives for firms in the SEZ • Collaborate with the ministry of planning and Economic Development, and development partners on the development of the feasibility studies and business plan
National Coordinating Committee on SEZs (NCCSEZ)	<ul style="list-style-type: none"> • Solicit a buy -in from the Executive and legislature • Engage with Development Partners for technical assistance and capacity • Facilitate the preparation of the SEZ legislation and regulatory framework • Ensure the establishment of the SEZ authority
FIRST STEP Operator	Continue to operate in the initial SEZ and attract other firms
SEZ Authority (SEZ Regulator)	<ul style="list-style-type: none"> • Designate SEZs • Facilitate government services • Monitor compliance
Zone Owners	<ul style="list-style-type: none"> • Financing the development of the zone • Oversee the operations of the zone
Zone Developers	<ul style="list-style-type: none"> • Land use planning including creating a final land-use master plan, and

	<p>preparing the land (grading, leveling, other pre-construction activity)</p> <p>Provision of infrastructure in collaboration with the relevant MDAs</p>
Operators	<ul style="list-style-type: none"> • Facility leasing • Transacting utilities • Provision of other value-added services • Marketing
Ministry of Finance	<ul style="list-style-type: none"> • Design framework to resolve the finance ministry (tax) and the firms (profit) in the SEZ • Review and approve waivers and incentives as presented by the MTI • Ensure adequate access to credit for firms within the SEZs
Ministry of Mines and Minerals Resource	<p>*Provision and supply of needed materials and natural resources for construction purposes</p> <p>*Collaboration with private sector and foreign investors to add value to the natural resources along the mine and mineral exploitation and manufacturing value chain</p>
Ministry of Lands, Country Planning and the Environment	<ul style="list-style-type: none"> • Resolve issues relating to land tenure and land right • Enforce sanitation policies within the SEZs
Environment Protection Agency (EPA)	<ul style="list-style-type: none"> • Promote higher environmental and social standards in the operational model of SEZ
Ministry of Fisheries and Marine Resources	<p>Collaboration with private sector and foreign investors to add value to the natural resources along the Fishery value chain</p>
Ministry of Labour and Social Security	<p>Design social protection framework and dialogue platforms</p>
Ministry of Planning & Economic Development	<ul style="list-style-type: none"> • Integration of SEZs policies into MTDP and national development plan • Provision of technical support for the implementation of SEZ policies • Provision of technical support for the development of the SEZs • Provision of technical support for the monitoring and evaluation of progress on the SEZ development and its operation
Ministry of Energy	<p>Adequate provision of electricity and alternative energy such as renewables</p>
Ministry of Information and Communication	<ul style="list-style-type: none"> • Awareness creation for the SEZs • Design special communication plan for the SEZ
Ministry of Works and Public Assets	<ul style="list-style-type: none"> • Construction of physical structures for SEZs • Adequate provision of public infrastructures in the SEZs. These include good access roads and water • Ensure adequate maintenance of infrastructure facilities in the SEZs
National Revenue Authority	<ul style="list-style-type: none"> • Sensitization of the Customs and other border personnel about the classification of products • Sensitization training of the Customs and other border personnel about the activities and operation of SEZs
Private Sector	<p>Provide finance to support government in the infrastructure development of SEZs</p> <p>Undertake investment projects and create investment opportunities</p> <p>Support the public sector in the management of the SEZs</p>
Ministry of Justice	<p>Provide effective and efficient mechanisms for the enforcement of property rights and contracts</p>
Sierra Leone Police	<p>Ensure the security of live and properties in the SEZs</p>
Sierra Leone Standards Bureau	<p>Undertake metrology, inspection, testing and certification activities</p>

Source: Stakeholders' Survey

5.3 Stakeholders' opinions on the potential of SEZ to create employment opportunities, transfer technology and develop human resources

There is good knowledge of the SEZ policy in Sierra Leone and both the private and the public sector representatives in the consultative meeting and the survey are aware of the policy. However,

while most of the relevant MDAs were involved in the policy formulations from the inception to implementation including making technical presentations, the private sector was not adequately consulted. It is also believed that the SEZ policy is not operational in country, because only stakeholder institutions involve in basic processing and export were engaged in the formulation process

Analysis of the stakeholders survey reveal that though the existing SEZ(s) policy was timely, there is need for upgrade to incorporate the rising urbanization, the new thinking of the Sierra Leone Medium Term Development Plan and the Trade strategy 2019. This will also enable the country to reap the benefits of the African Continental Free Trade Area (AfCFTA), will calls for a clear and transparent policy with accountability for investors. Again, the survey reveals the need to significantly improve sectoral coordination of stakeholders and information sharing amongst stakeholders, with strong bond with the private sector.

Following the ratification of AfCFTA, the employment, technology transfer and human resource benefits of the SEZ policy in Sierra Leone may depend on the sectors and products being favoured by the policy. Opinions from stakeholders suggest a number of products could benefit tremendously from the development of SEZs in the country ranging from agriculture to light manufacturing products. These products include vegetable oil, cashew, cassava flours cassava gari fruit and vegetables, rice processing, cocoa, coffee, palm oil, animal products, plastics, and metallurgy and machinery. These products are said to be within the ambit of the rule of origin as the raw materials can be obtained locally. However, stakeholders believe that high tech industrial products, such as such automobile and pharmaceutical products, reap the least benefits associated with SEZ and AfCFTA. They also point out that promoting value addition initiative for agriculture and light manufacturing products, including packaging, as well as regulation to protect local industries, are key steps to mainstream AfCFTA into the SEZ policy. The SEZ policy is also seen as a tool to create positive revenue drive by boosting primary production and light manufacturing products which have multiplier effect on the country's GDP growth.

AfCFTA is expected to open the country to foreign direct investment (FDI), while local producers will want to produce in the SEZ to meet international standards. This represents an opportunity for transfer of knowledge (technology) from the high-tech foreign investment to domestic firms within the SEZs. However, the potential for technology transfer must be harnessed through active labour market, training and development of initial human capital levels with sound education health systems.

A indicated in Table 19, all stakeholders agree that enforcing local content policy in the SEZ is important for local employment creation and knowledge transfer. About 75% claimed that these can be achieved if either additional incentive is provided to local firms to participate in the Zone or foreign firms to partner with local firms. Half of the respondents support both local content policy enforcement and provision of additional incentive should be pursued. To promote output, employment and inter-firm forward and backward supply linkages in Sierra Leone, a number of factors are identified by government stakeholders, and supported by the private sector. These include removal of policy and administrative barriers to local market integration; effective training programs; vibrant local labour markets; good network for information sharing; technological innovation; and effective implementation of the local content policy (Table 20).

Table 19: Stakeholders Opinion on local employment creation and technology transfer

Factor	Yes
Enforce local content policy in the SEZ	100%
Provide additional incentives to local firms to participate in the SEZ	75%
Persuade foreign firms to partner with local firms	75%
Enforce local content policy and provide additional incentives to local firms to participate in the SEZ	50%
Enforce local content policy and persuade foreign firms to partner with local firms	25%

Source: Stakeholders' Survey

Table 20: Factors to Promote output, employment and inter-firm Linkages in Sierra Leone

Factors	Yes
Removal of policy and administrative barriers to local market integration	100%
Effective training programs	75%
Vibrant local labour markets	50%
Good network for information sharing	75%
Technological innovation	75%
Effective implementation of the local content policy	75%

Source: Stakeholders' Survey

PART VI: EVIDENCE-BASED SELECTION CRITERIA FOR LOCATING SEZs AND FINANCING MODES

6.1 Stakeholders' identification and evaluation of success factors for SEZ development

Realising the full potential of the SEZs in Sierra Leone depends partly on the ability of firms in the Zones to access certain infrastructure and services. Availability of such infrastructure is also important for attracting both domestic and foreign investors into the zone. Many of the respondent in the survey conducted among stakeholders agree that infrastructures, including energy, is a huge constraint to the development of SEZs in the country. Key services are also seen as critical to the smooth operation of firms in the zones. These key infrastructure and services include good transportation system such as motorable road networks, seaports and expansion of the rail system; telecommunications; water and sanitation; technology and innovation hub; financial services; insurance; logistics; and capacity building.

A number of factors have been suggested in the selection of SEZ location following existing SEZs around the world. The opinion of participants in the SEZ survey of relevant government stakeholders in Sierra Leone are reported in Table 21. In terms of location, 75% of respondents claimed that size, set up cost, stamp duty, and availability and ease of acquisition of land for the zone is are the important considerations. Linkage of location with infrastructure to complement the local resources and leveraging comparative advantages are also reported to be important aspect of SEZ selection. In particular, almost all the stakeholders favoured consideration for railway, airway, seaway, motorable roads, proximity to market and proximity to raw materials. Similarly, almost all respondents indicated their support for subsidies (fiscal incentives such as tax holidays) availability to potential industries and investors to be key determinant in SEZ selection. These subsidies could be in the form of land price discount, transport subsidy, tax holiday, mode of payment for land, and import waivers.

All public stakeholders agree to the importance of availability of skilled and innovative labour and facilities such as one window operation, R&D laboratory availability, and utilities like electricity, water, energy, health and waste disposal in SEZ selection. Similarly, all stakeholders believed that SEZs must promote industries that are suitable and compliment the resource availability and capabilities of the labour force across sectors. Other factors seen as important in SEZ selection as stressed by most government stakeholders include environmental sustainability; market orientation; tariffs, duties, and rules of origin; average time needed for imports (through main seaport) to clear customs; and average time needed to obtain an electricity connection. Other stakeholders such as development partners and private sector also support consideration for these factors in the selection of SEZ type.

Table 21: Important or Success Factors in SEZ Location Selection

Factor	Not important	Least important	Important	Very important	Most important
Location of SEZ					
Size					75%
Availability and ease of acquisition of land			25%		75%
Set up cost			25%	25%	50%
Stamp duty			25%	50%	25%
Linkage of location with infrastructure to complement the local resources and leveraging comparative advantages					
Railway			50%		50%
Air			25%	25%	25%
Sea				50%	50%
Dry ports	25%			50%	
Motorable roads					75%
Proximity to market				50%	25%
Proximity to raw materials					75%
Subsidies (fiscal incentives such as tax holidays) availability to potential industries and investors					
Land price discount	25%			25%	50%
Transport subsidy	25%			75%	
Tax holiday	25%			50%	25%
Mode of payment for land	25%			50%	25%
Import waivers	25%			50%	25%
Others					
Availability of facilities such as one window operation, R&D lab availability, and utilities like electricity, water, energy, etc					
One window operation			25%	25%	50%
R&D lab availability				25%	75%
Utilities such as water, electricity,					75%
Health facilities			25%		25%
Waste disposal facilities			25%		75%
Availability of skilled and innovative labour					
Wage rate			25%	25%	50%
Skill level			25%	25%	50%
Unemployment rate				25%	25%
Suitability of industry (industries must compliment the resource availability and capabilities of the labour force)					
Minerals mines	25%				75%
Textiles			75%	25%	
Pharmaceuticals			25%	50%	25%
Agriculture			25%		75%
Iron and Steel			50%	25%	25%
Services			25%	25%	25%
Light manufacturing			50%		50%
Medium tech manufacturing			75%		25%
High-tech manufacturing			50%		25%
Environmental sustainability					
Land loss				50%	50%
Air pollution			25%	25%	55
Water stress			25%		75%
Efficiency				25%	75%
Market orientation					
Domestic market development			25%		75%
Value upgrading			25%		75%
Export				25%	75%
Others					
Tariffs, duties, and rules of origin			25%	25%	50%
Average time needed for imports (through main seaport) to clear customs			25%		75%
Average time needed to obtain an electricity connection			25%		75%

Source: Stakeholders' Survey

6.2 Evidence-based selection of SEZs Locations

Making decision as regards the citing of special economic zones (SEZs) is bounded by a number of factors. These factors include availability and state of infrastructure (such as transportation, water,

etc.), energy especially electricity, availability of economic resources (including mineral deposits and land), policy/business environment and political consideration (regional spread and balance). Thus, this section is concerned with those factors that could influence the citing of SEZs in particular areas in Sierra Leone. One of the infrastructure elements required is transportation, which is important for movement of goods and people. Transportation investment can provide enormous benefits to firms and their stakeholders in the Sierra Leone special economic zone. The main modes of overseas and foreign transport in Sierra Leone are maritime (water or sea and air transport, while road transport accounts for 95 percent of freight and passenger travels. As a result, road transportation is the primary mode of movement in the country. Efficient road, air and maritime transport networks become the basic minimum for locating SEZs in the country.

Table 22 shows some of the country's newly completed and ongoing road projects. Adequate road infrastructure is important because it makes movement very easy, it reduces travel time, improves road safety, lowers vehicle operating costs, and has the potential to improve citizens' social and economic lives. The 103km Bo-Bandajuma road in the Southern Province connects the district towns of Bo (the second largest city after Freetown) and Pujehun. It serves as a vital national and regional route for the country, connecting the country's South-Eastern parts to neighboring Mano River Union (MRU) member States and the Economic Community of West African States (ECOWAS). The 120km Matotoka Road Rehab Project in Sierra Leone's Northern Province is another important road. This rehabilitated road has made it easier to transport minerals, such as diamonds and iron ore, to the Sierra Leone's port of Nitti, boosting mining activity and exports. Another important road facility in Sierra Leone is the Matotoka-Sefadu road in the Northern Province. This road is significant to the government because it connects Sierra Leone to Guinea, Liberia, the Ivory Coast, and Mali via Koidu town. Furthermore, the road connects to Kono in the Eastern Province of Sierra Leone, which is a mineral-rich and important agricultural area in the country, is very essential. The Tokeh-Lumley stretch in the Western province, which passes through the west coast and provides a key link to the capital, Freetown, is also an important section of the Waterloo-Lumley route. Based on road infrastructure, any of the four provinces' identified important roads could be chosen for the purpose of the SEZs.

As regard air transport, the six airports in Sierra Leone are located in the Southern, Eastern, and Western Provinces. The airport at the lungi (in the Western Province) appears to be the only site in Sierra Leone with an international airport outlook, while others are regional airports that serve smaller planes, private jets, and helicopters that travel within Sierra Leone. This suggests that the Western province could be a good location for SEZs based on air transportation. On sea/water transport, seaport is the most important entry point for trade and commerce into any country. Sierra Leone has six major seaports located in the Western, Northwestern, and Southern Provinces. The Port of Freetown has one of the world's largest natural deep-water harbors. It has four terminals, and it is the country's main logistics hub for imports and exports. As a result, the Western Province (Freetown) could naturally be a good choice for locating SEZs.

Modern, flexible, secure and sustainable network of electric power transmission and distribution lines is critical to providing affordable and reliable energy to large industries and small businesses in and around SEZs. As a result, energy supply becomes an important factor to consider when deciding where to locate SEZs. Different energy generation modes are used in different parts of the country to provide the country's energy needs. However, hydroelectric power is the main Sierra Leone's energy source. The Bumbuna hydropower plant, located in the country's Northern Province, produces the most electricity consumed as it generates more than half of the country's total electricity. Other hydro-power plants exist in the country, including the 3MW Bankasoka Hydropower in Port Loko (in the Northwestern Province) and the upgraded 6MW Dodo mini-hydro dam in the Eastern part of the country. It would thus be encouraging citing SEZs in any of these Provinces to take advantage of the easy tapping of electricity to promote industries.

The availability of mineral resources and raw materials is another critical factor determining where industries and businesses should be located. Minerals provide basic raw materials for industries to produce goods for local and foreign markets. Sierra Leone is well known for its abundant mineral resources. The mining industry is dominated by large-scale producers of iron ore, diamonds, rutile, and bauxite, as well as small-scale and artisanal gold and diamond mining in all Provinces. Diamond deposits can be found in the Eastern Province's Kailahun and Kono districts, as well as the Northern district's Koinadugu. Iron ore can be found in the Northern Province's Tokoilili District and Koinadugu District, as well as the Eastern Province's Port Loko. As a result, a decision on the location of SEZs based on mineral resource availability would favour Sierra Leone's Northern, Eastern and Northwestern Province with abundance of these resources.

With respect to telecommunication infrastructure in Sierra Leone, there is currently no system in place for collecting ICT statistics. Given the state of Sierra Leone's fixed-line communication infrastructure as provided by the SIERRATEL, which is the country's national communication provider, the mobile sub-sector is the primary actor in the overall telecom industry. In the telecom market, Orange Group completed its acquisition of Bharti Airtel's local unit in the mid-2016, and the Gambian Telco QCell received a license to operate mobile services. The telephone system now includes a satellite earth station with up to 70 channels. Despite the limited telecom resources in Sierra Leone, telecom services help to propel the activities of the few existing light manufacturing, commerce, research, leisure, agriculture, mining, and families, among other activities. However, since data on telecom is not available by Province or district, it is difficult to propose location of SEZs in any Province according to availability and quality of telecommunication facilities.

Table 22. Basic Locational Factors for Sierra Leone Proposed SEZs

Infrastructure	Location / Area	District	Status
Road Transport	Bo-Bandajuma road project	Southern Province	On-going
	Kenema–Pendembu road	Eastern district	On-going
	Wellington-Masiaka Highway	Western Area Rural (Waterloo)	On-going
	Hillside Bypass Road	Western Area Urban (Freetown)	On-going
	Moyamba-Moyamba Junction roads	Moyamba district and Freetown	Information Not Available (INA)
	Tokeh and Lumley	Western Area Urban (Freetown)	Completed
	120 km Matotoka-Sefadu road (Yiye-Sefady Sec)	Northeastern Province	Completed
	Matotoka Road Rehab Project	Norther Province	Completed
	Lungi-Port Loko Road	Northwestern	On-Going
	Road rehab Bok, Kenema, Makeni, Magburaka	Northern-Eastern Province	On-Going
	Road rehab Kono, Kailahun, Kabala	Eastern Province	On-Going
	Road rehab Western area Freetown	Western Province	On-Going
	Feeder Roads Bombali, Tonkolili, Kailahun, Kono	Northern, North West and Eastern Province	On-Going
	Road rehab Port Loko, Kambia, Lunsar	North Western Province	On-Going
Air Transport	Lungi	Western Area Urban (Freetown)	Completed
	Bo (Bo District)	Southern Province	(INA)
	Yengema (Kono District)	Eastern Province	(INA)
	Kenema (Kenema District)	Eastern Province	(INA)
	Sherbro (Bonthe district)	Southern Province	(INA)
	Gbangbatoke (Moyamba District)	Southern Province	(INA)

Railroads	Freetown to the north via Magburaka-Makeni link and Bo-Kenema link		Facilities no longer working
Port	Freetown	Western Area Urban (Freetown)	Completed
	Mamamah (port loko district)	Northwestern Province	On-Going
	Sherbo (Bonthe District)	Southern Province	(INA)
	Pepel		(INA)
	Thofeyim (Port District) Loko	Northwestern Province	(INA)
	Nitti	Southern Province	(INA)
Electricity energy	50MW Bumbuna hydropower plant (Tonkolili district) 143 MW Bumbuna II hydropower plant (Tonkolili district)	Northern Province	Completed
		Northern Province	On-going
	3MW Bankasoka Hydro power (port loko)	Northwestern Province	Completed
	6 MW Dodo mini-hydro dam	Eastern Province	Upgraded
ICT	ABSL (Addax Bio-Energy Sierra Leone)- Makeni	Northern-Eastern Province	(INA)
	SIERRATEL Orange Group Gambian telco	Asset distributed across Provinces	No information on the distribution of the ICT assets across Provinces
Major Resources Land Availability			
• Largest district	Koinadugu	Northern Province	
Mineral Resources			
• Diamond	Koinadugu District Kailahun Kono Districts	Northern Province Eastern Province Eastern Province	
• Iron ore	Tokoilili District Koinadugu District Port Loko District	Northern Province Northern Province Northwestern Province	
• Gold	Koinadugu District Kailahun Kambia Port Loko District	Northern Province Eastern Province Northwestern Province	
• Bauxite	Port Loko District	Northwestern Province	

Source: Google search 20-25 July, 2021.

Location of SEZs could be based on a mixed record of the available infrastructure which could be either inadequate in supply or poor in quality. For instance, in the case of road infrastructure, paved roads and bridges are critical to Sierra Leone's economic growth and development but many of the districts' roads are in poor condition, and their connections are inadequate. Potholes and cracks feature in the road along the Northern Province. However, paved roads and good connections are essential features of the country's major districts in the Western Province (particularly Freetown). Districts such as Falabi and Koinadugu in the Northern Province as well as Kenema in the Eastern

district could serve as a source of tourist attraction. Further, the type of economic activities predominantly practice in each of the Provinces can influence the choice of SEZs location. Agriculture activities are main occupations among people in almost all the Provinces of Sierra Leone with few trading and other business ventures around the capital city of Freetown in the Western Province (Table 23). The Provinces in the Northern part of the country and part of Eastern Provinces have mineral deposits like diamonds, gold and iron ore that could facilitate establishment of SEZs around such Provinces.

Table 23: State of Infrastructure in Sierra Leone Districts

S/N	Province	District	State of Infrastructure
1	Northern Province	Bombali District	<ul style="list-style-type: none"> Access to water and sanitation remains poor. Out of 2,429 water points in Bombali. 1,434 were partially damaged or broken (41%), and 126 were under construction. Many water points require repairs, and new points need to be built. Medical services are provided by a mix of government, private and <u>non-governmental organizations</u> (NGOs). Bombali has 16 community health centers (CHC), 18 community health posts (CHP), 48 maternal child health posts (MCHP), 1 government hospital, 1 military hospital, 1 community hospital, 3 mission Clinics, 3 mission hospitals and 3 private clinics Poor road network in large distances across chiefdoms outside of the Makeni area (capital).
2	Northern Province	Falaba District	<ul style="list-style-type: none"> A <u>rural</u> district mainly with <u>farming</u>, <u>livestock</u> and <u>mining</u> activities. Poor feeder roads connecting farms and market outlets Potentials for tourist attraction like lake Sonfon, Mount Bintumani and the Wara Wara hills Potholes and cracks in the road are common occurrences
3	Northern Province	Koinadugu District II	<ul style="list-style-type: none"> It is the largest district in Sierra Leone with total area of 12,121 km² (4,680 sq mi). The district also has mineral deposits like diamonds, gold and iron ore It has potential for tourist attraction such vast stretches of grasslands, mixed culture, temperate climate, the scenic beauty of the highlands and the presence of Lake Sonfon Poor and bad road connections are prevalent in this district.
4	Northern Province	Tonkolili District	<ul style="list-style-type: none"> It has large deposits of iron ore It has well drained land by the Rokel River and the Pampana (Taia River) with the Rokel having Bumbuna waterfalls and main national hydroelectric power (HEP) Bumbuna is the largest potential HEP site in the Northern Province and has a capacity of 305MW The literacy rate is very low
5	Northwestern Province	Kambia District	<ul style="list-style-type: none"> Subsistence agriculture is the main activity in this district It has large arable swamp lands It also has small mineral deposit of gold mining while other mineral resources include granite It has numerous smaller rivers that provide fishing opportunities, hydroelectric power potentials and water for general use, industrial purposes and river transportation
6	Northwestern Province	Port Loko District	<ul style="list-style-type: none"> Economic activity in the district is subsistence farming, small-scale petty trading and commerce and animal husbandry. Possession of several mineral deposits such as iron ore, gold, and bauxite It has the second highest number of schools in the country after Freetown City and the overall literacy rate is 32%.
7	Northwestern Province	Karene District	<ul style="list-style-type: none"> Agriculture is the main economic activities

8	Southern Province	Bo District	<ul style="list-style-type: none"> Literacy rate in this district is among the top in the country. The district has Njala University, which is the largest in the country, and Bo School, which is among the most cherished school in the country. Wells, hand pumps and public water supplies (pipe borne) are the main sources of drinking water in the district. There are about 3656 functional water points of sources with about 2412 wells making this type as the dominant source of water.
9	Southern Province	Bonthe District	<ul style="list-style-type: none"> Major sources of water for drinking and household use includes wells, hand pumps, public water supplies (piped) and streams (untreated sources). There are some 3,656 functional water points of different sources, the majority (2,412) of which are wells without a pump. Nearly 800 (22%) water points are non-functioning, and 275 of these sources needed repair.
10	Southern Province	Moyamba District	<ul style="list-style-type: none"> The district features about 576 schools of which 12 are pre-primary, 497 primary, 104 junior secondary and 46 are senior secondary schools. It has 2 Technical Vocational Institutes and 2 Home Economics Junior Secondary (12-14yrs) Centers. The port of Nitti in Banta chiefdom provides the only deep-water port in the south The main water sources are piped supplies, hand dug wells, boreholes and open sources (streams and rivers) There are nearly 1700 water points but only 966 are functional points, while 364 points need repair
11	Southern Province	Pujehun District	<ul style="list-style-type: none"> It has little physical infrastructure and relatively few services The number of paved roads in this district are few. Health and educational facilities are grossly inadequate 42% sources of drinking water for residents are rivers and streams, 29% of residents use un-medicated wells, 9% use un-protected wells and only 14% of district residents have access to piped supplies (public). It has only 451 water points.
12	Eastern Province	Kailahun District	<ul style="list-style-type: none"> Main economic activity is agriculture with some small-scale mining of gold and diamond Few functioning educational facilities. The roads linking the district with the rest of the country are cut off and impassable
13	Eastern Province	Kenema District	<ul style="list-style-type: none"> The main economic activity in the district is farming employing over 75% of the people Other economic activities include sand and stone quarrying It has tourism attraction centres like Gola Forest, Kambui-Nimini Hills, the Tiwai Island and the beaches on the Moa It has 6 megawatt Goma HEP project
14	Eastern Province	Kono District	<p>The district is characterized by</p> <ul style="list-style-type: none"> Inadequate infrastructure. A decrease in mining activities Agriculture is the major economic activity while Agro-processing is not done and farm products are sold without value addition. Poor feeder road connections and bad quality Rich in large diamond mining and small scale gold mining It is strategically located en route to Guinea and can perform nodal functions like bulk breaking, warehousing, Tran-shipment and distribution services
15	Western Province	Western Rural (Waterloo)	<ul style="list-style-type: none"> The roads in this district have the highest levels of traffic concentration There is huge agricultural potentials for food crops, fisheries, livestock, and forestry sub-sectors There is also a forest reserve, with a large cross-section of biodiversity resources It is a gateway to and from the hinterland and blossomed as a trading centre commodities from Freetown and the Sierra Leone peninsula.

16	Western Province	Western Urban (Freetown)	<ul style="list-style-type: none"> • It is Sierra Leone's major urban, economic, financial, cultural, educational and political center • It has large number of paved roads • Water is rationed in many areas in Freetown • It has small amount of agricultural land availability
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Source: Google search 20-25 July, 2021.

6.3 Financing Schemes for Special Economic Zone Development

A number of activities in the SEZs requires financing. These include on-site infrastructure and off-site infrastructure. On-site infrastructure includes internal roads, power and other utilities, common facilities and buildings, while off-site infrastructure includes access roads and utility connections. There are also finance requirements for private firms who invest in the SEZ as well as management and operations. Different models exist for SEZs. Usually, the government sets the general framework highlighting the regulation, legislation, taxation, and incentives for private firms operating in the SEZ. Tyson (2018) highlights the financing options for SEZs as presented in Table 24.

Development partners highlight the critical role of public-private sector linkage co-ordination in financing SEZ. They however pointed out the high interest rate and level of indebtedness as well as poor level of credit worthiness are major challenge. They also indicate the provision of employment promotion program through skills development, which is expected to end in 2024, though there is no existing plan for integration into SEZ. Development partners also indicate their involvement in offering grants and loan schemes for micro and small firms, while enhancing business skills of entrepreneurs, as well as promoting value chain development for businesses in activities such as cocoa fermenting, sorting, among others. There are more than 6000 firms (micro and small) engaging in transport, agriculture, tourism, ICT, renewable energy, among others.

Table 24: Financing Options for SEZs

Requirement	Public or private	Common structures	Example of financiers
External off-site infrastructure Public or private	Public or private	Outright public ownership; PPPs	International Development Association; African Development Bank; Chinese government; commercial banks
SEZ on-site infrastructure	Public or private	Outright public ownership; PPPs; private companies with public and/or private shareholders	International Finance Corporation; venture capital; Chinese government
SEZ management	Public or private	Private companies with public and/or private shareholders	International Finance Corporation; venture capital; Chinese government
Firms operating in SEZs	Private	Private corporations	Self-financing including foreign direct investment and venture capital

Source: Tyson (2018)

PART VII: CONCLUSION AND RECOMMENDATIONS

7.1 Summary and Conclusion

This policy review exercise is meant to appraise, update and finalize Sierra Leone's draft 2013 SEZ Policy, and design corresponding strategies including an evidence-based methodology for selecting locations for SEZs and guidelines for the development of a legislation on SEZ. It is also meant to investigate the extent to which the SEZ will lead to creation of employment opportunities, transfer of technology and development of human resources. Further, it is targeted at interrogating the various legal, regulatory frameworks and services infrastructure that enables the realization of the full potential of the SEZ. It is directed at developing a SEZ policy that is responsive to the latest global developments and is aligned with the wider growth strategy of the Government.

The contribution of industrial sector to national output in Sierra Leone averaged about 9.32% in the last decade (2010-2019), ranking among the least industrialized countries in Africa such as Liberia (11.64%), Comoros (10.69%), Djibouti (9.18%) and Rwanda (17.59). Sierra Leone has only one SEZ (First Step, which was established in 2012) just like other selected least industrialized economies such as Djibouti and Rwanda, while one of the selected mid-industrialized economies such as Zambia has four SEZs.

In Sierra Leone, average aggregate output growth reached a peak of about 10.42% during 2010-2014 but declined sharply to -0.27% between 2015 and 2019, the least growth performance among all selected African countries. The average industrial sector share of GDP declined significantly from 32% in the early 1990s to 5% during 2015-2019 period. The dominant activity in the Sierra Leone industrial sector is mining and quarrying. Output of this sub-sector was as high as 9.17 trillion Leone in 2019 after which it fell sharply to 4.32 trillion Leone in 2020. A major activity is the mining of diamond and other related precious metals which appears to be the main driver of growth in the sector. Manufacturing is the next most important activity in the industrial sector with output rising gently from 4.69 trillion Leone in 2016 to 6.76 trillion Leone in 2020. Output of the construction, and electricity and water supply sub-sectors also improved in the last 5 years. The contribution of mining and quarrying sub-sector to industrial sector output fell from 53% in 2016 to 28% in 2020, while manufacturing contribution to industrial output rose from 29% in 2016 to 44% in 2020. The share of construction, and electricity and water supply also increased from 15% and 3% in 2016 to 22% and 6% in 2020 respectively. Industrial output growth deteriorated noticeably in the last decade, though it remained positive for most of the years. By the year 2020, industrial output growth reached -21% which may represent a slight improvement from -73% recorded in 2015. However, the growth performance of the sector in the early 2010s suggests the ability of the sector to drive growth if clear and useful SEZ policies are promoted and implemented.

Analysis of macroeconomic stability which is an important driver of both domestic and foreign investments shows that inflation is very high in Sierra Leone. Between 2015 and 2019 it was higher than those recorded by Rwanda, Liberia and Djibouti, which are on similar level of industrial sector development, as well as the more industrialized ones such as Botswana, Zambia and Senegal. Also, while average interest rates are lower in Sierra Leone than in Rwanda and Liberia, they remained higher than what obtained in the more industrialized non-oil rich economies in Africa such as Senegal, Botswana and Zambia. The high inflation and real interest rates indicate that cost of inputs and cost of living remain high in Sierra Leone. Moreover, real effective exchange rate in Sierra Leone⁸ during 2015-2019, was relatively higher than that of Zambia, suggesting that the purchasing power of the Sierra Leone currency is high compared to the more industrialized African countries. All these have implication for setting up the Special Economic Zone, attracting investment into the Zone, and its competitiveness.

The business environment in Sierra Leone is generally weak, though the situation seems to be better than those in other least industrialized African countries. In terms of cost of export, border compliance costs in Sierra Leone are lower than that of Djibouti and Liberia but higher than those of all the selected mid-industrialized economies. Also, among the selected countries, cost to export in terms of documentary compliance cost is highest in Sierra Leone. Similarly, cost to import in terms of border compliance is lower only in Sierra Leone than those reported for Djibouti and Liberia. Documentary compliance is also more costly for import in Sierra Leone than in any of the other selected country (except Senegal) irrespective of the level of industrialization. However, in terms of time to export, required duration for border compliance cost is lower in Sierra Leone than those of all the selected countries, except Botswana, while duration for documentary compliance in Sierra Leone is only lower than Zambia and Liberia. Time to import is also higher in Sierra Leone than in most of the countries, except Liberia with higher duration of border and documentary compliance, and Zambia with higher duration of border compliance. These costs of doing business have important adverse implication for inducing investment into the Special economic Zone. If the Special Economic Zone has export orientation, then the cost and time of doing business must be reduced so as to make the economy competitive.

Owing to the significance of communication to business, it is imperative to assess the state of usage of communication facilities in Sierra Leone. Fixed telephone lines subscriptions are low in Sierra Leone with similar subscription rates as Rwanda and Liberia. These subscriptions are however lower in Sierra Leone than Djibouti and the more industrialized African countries such as Botswana, Zambia and Senegal. The communication facility and usage should be upgraded so as to facilitate the activities in the Special Economic zone. The level of innovation and related activities are very low in Sierra Leone (0.02% during 2010-2019) compared to other least industrialised countries in Africa such as Rwanda (10%). The human capital index for Sierra Leone also stood at 0.35 during 2010-2019, indicating that human capital development is among the lowest on the continent. This signals the need to promote human capital in order to internalise the benefits of the Special Economic Zone. The global competitiveness ranking of the Sierra Leone economy is among the lowest in Africa. This has negative implication for the country in competing for foreign investment from other countries within and outside Africa. In Sierra Leone, foreign direct investment (FDI) contributes little to output in Sierra Leone. This development is a major concern for the country in the quest for industrialization. Efforts must therefore be expended to attract foreign investment into the country.

The industrial sector employs only about 6% of total employment in the country. Comparatively, while other non-oil dependent countries in Africa employed more workers in the industrial sectors than Sierra Leone, industrial sector employment still trails those in service and agriculture in most of the countries, except Eswatini and Lesotho. Rwanda increased its share of industrial sector employment in total employment overtime to overtake Sierra Leone in the last decade. Looking at the share of the top 20 export products of Sierra Leone between 2014 and 2019, Ores, slag and ash are the leading export products of the country, contributing about 27% to total export, on average during the period 2014-2019. During the same period, other major export products, with over 5% average contributions include fish, cocoa, fish and meat preparations, wood and related articles, dairy products), natural pearls and precious metals. Mineral fuels and vehicles are the dominant imported products in the country. Cereals and machinery also make up a major part of imported products along with electrical machinery and equipment and plastics and related articles. Thus, while exports are dominated by primary products, refined and manufactured products are the major components of imports.

On all indicators of institutional capacity, the country recorded negative values indicating a need for urgent institutional reform that may be critical for industrial sector development. The country however performed better on most of the indicators than all the selected countries (Djibouti, Liberia

and Comoros) on the same level of industrial development, except Rwanda.

The recent National Trade Strategy developed by the Sierra Leone Ministry of Trade and Industry identified some priority products to take advantage of the AfCFTA. These products are mainly manufactures and are expected to be the focus of SEZ especially at the initial stage. They include coconut and groundnut oil, cocoa paste, sesamum seeds, natural honey, Bovine meats, pineapples and mangoes, fruit juice, soap, chemical or alcohol disinfectants/sanitizers, cosmetics, pigments and preparations containing titanium dioxide (colouring, sunscreen or paint), wooden furniture, and textile face mask.

The existing Sierra Leone Special Economic Policy and Strategy were updated with recent developments, emerging global and regional issues and relevant international experience. The emerging global and regional issues include climate change, gender issues, occupational and safety as well as labour issues and the recent African Continental Free Trade agreement. The international experience features cases studies involving review of SEZ policies of Rwanda, Senegal, China and Nigeria.

In line with international best practice, an Authority, such as the Sierra Leone Special Economic Zones Authority (SSEZA), is expected to oversee the administration, development and strategic direction of the Zones. The Authority is expected to be autonomous in discharging its roles including issues relating to staffing, budget, spending and policymaking. The Authority should be flexible and free from civil service rules with power to make independent decision. The need to avoid creating institutional conflict through overlapping regimes, responsibilities, and accountabilities was also emphasized by stakeholders during the consultative meeting and survey. Stakeholders also pointed out the essential processes that must be adequately captured in the regulatory mechanism for monitoring of SEZs operations in Sierra Leone. These include the ease of getting approvals for setting up a SEZ while ease of process of acquisition of land for SEZ is critical. Redressal of grievances including compensation, and displacement issues is also an important component of the mechanism while issues such as getting permission from the custom authorities, as well as sanctions of claims; process of de-notification & exit, must be adequately captured.

In terms of composition of Sierra Leone SEZ Authority (SSEZA), it is expected to have a Board of Directors to oversee the strategic direction and SEZs operation in the country. The Board should consist of representatives from the public and private sectors, as well as non-state actors, as appointed by the government through the Minister of Trade and Industry. Also, an administrative committee should be set up for each SEZ established to run the daily affairs following the regulations and guidelines of the SSEZA. The functions and guiding principles of the SSEZA are well articulated in this report.

The understanding of the type of SEZ to be established provides a preliminary information for the model to be adopted and the appropriate institutional framework. Stakeholders indicated the need for Free Trade Zones (FTZ) in Sierra Leone, Export Processing Zones (EPZ) and Comprehensive Special Economic Zones (CSEZ). They also indicated Industrial Parks (IP) and High-tech Zones (HZ) as key to the economic development efforts in the country. In terms of the model for developing the SEZs, while most of the government stakeholders emphasized the use of government developer consultative meeting with the private sector firms shows overwhelming support for a private sector driven SEZ development model.

For effective SEZ development and operation, as well as functioning of the SEZ regulatory Authority, a number of factors have been reported to be expedient. All stakeholders stated that the institutional mechanisms underpinning the SEZ regulatory authority must balance authority and independence with inclusiveness. This allows the Authority to function with minimal government interference in matters that can be effectively handled by the Authority. Also, stakeholders agree that the institutional and administrative structures of the regulatory authority is critical in

determining the effectiveness of the authority in carrying out its critical function of cross-agency coordination. Moreover, decentralization of zone authorities is seen to present opportunities for competition and innovation, but in most low-income countries, scale and capacity limitations outweigh the potential benefits. However, the stakeholders warned that although having a one-stop shop is the objective of virtually all zone programs, effective administrative delivery may be hampered by weak institutional authority and coordination. This essentially call for efforts to ensure strong institutional authority and coordination in the SEZ development and operation. It is emphasized that customs operations, which are critical sources of competitive advantage in any successful zone, must be given the authority and capacity to deliver an efficient clearance service. In this respect, the complementary facilities and operations at ports and airports must be well considered and provided.

Building a world-class modern SEZs requires adequate consultations and cooperation among ministries and all stakeholders with clear responsibility. Thus, a critical aspect in the development of SEZs in Sierra Leone is the strengthening of partnerships. Different areas of partnerships are as follows:

- Partnership among Government Ministries, Departments and Agencies (MDAs)
- Partnership with the Private Sector and Civil Society
- Partnership with the External Stakeholders

In order to coordinate the stakeholders Activities, the Ministry of Trade and Industry need to set up a National Coordinating Committee to coordinate all stakeholder engagements and discussions on SEZ-related issues. The composition of the Committee e (which should work with the National Coordinating Committee on Trade is clearly indicated in this report. The Ministry of Trade and Industry is expected to recruit highly skilled staff for the SSEZA and trained the existing ones for optimal functioning of the Authority and its Departments. The capacity of the other ministries and stakeholders, including the private sector involved in implementation of SEZ policy must also be strengthened. The roles of all relevant stakeholders are well articulated in this report.

Following the ratification of AfCFTA, the employment, technology transfer and human resource benefits of the SEZ policy in Sierra Leone may depend on the sectors and products being favoured by the policy. Opinions from stakeholders suggest a number of products could benefit tremendously from the development of SEZs in the country ranging from agriculture to light manufacturing products. These products include vegetable oil, cashew, cassava flours cassava gari fruit and vegetables, rice processing, cocoa, coffee, palm oil, animal products, plastics, and metallurgy and machinery. These products are said to be within the ambit of the rule of origin as the raw materials can be obtained locally. To promote output, employment and inter-firm forward and backward supply linkages in Sierra Leone, a number of factors were identified by government stakeholders, and supported by the private sector. These include provision of extra incentives to firms, removal of policy and administrative barriers to local market integration; effective training programs; vibrant local labour markets; good network for information sharing; technological innovation; and effective implementation of the local content policy.

A number of factors have been suggested by stakeholders in the selection of SEZ location following existing SEZs around the world. In terms of location, size, set up cost, stamp duty, and availability and ease of acquisition of land for the zone are the important considerations. Linkage of location with infrastructure to complement the local resources and leveraging comparative advantages are also considered important aspect of SEZ selection. Stakeholders also indicated their support for subsidies (in form of land price discount, transport subsidy, tax holiday, mode of payment for land, and import waivers s) provision to potential industries and investors as key determinant in SEZ selection. All stakeholders agreed to the importance of availability of skilled and innovative labour and facilities such as one window operation, R&D laboratory availability, and utilities like

electricity, water, energy, health and waste disposal in SEZ selection. Similarly, all stakeholders believed that SEZs must promote industries that are suitable and compliment the resource availability and capabilities of the labour force across sectors. Other factors seen as important in SEZ selection stressed by stakeholders include environmental sustainability; market orientation; tariffs, duties, and rules of origin; average time needed for imports (through main seaport) to clear customs; and average time needed to obtain an electricity connection. Consideration for these factors is also supported by other stakeholders such as development partners and private sectors in selecting SEZ type.

Evidence-based location analysis for SEZ was conducted and the summary result is given for the purpose of policy. The Southern Province (with 103km Bo-Bandajuma road) which serves as a vital national and regional route for the country, connecting the country's South-Eastern parts to neighboring countries is a potential location for SEZ. Similarly, Northern Province (with Matotoka-Sefadu road and 120km Matotoka Road Rehabilitation project) is a potential location because it has made it easier to transport minerals, such as diamonds and iron ore, to the Sierra Leone's port of Nitti. The roads connect Sierra Leone to Guinea, Liberia, the Ivory Coast, and Mali via Koidu town. It also connects to Kono in the Eastern Province of Sierra Leone, which is a mineral-rich and important agricultural area in the country, is very essential. The Western province (with Tokeh-Lumley road stretch) is also a candidate for SEZ location because it passes through the west coast and provides a key link to the capital, Freetown.

Analysis suggests that the Western province could be a good location for SEZs based on air transportation. On sea/water transport, the Western Province (Freetown) could naturally be a good choice for locating SEZs based on seaport. Although different energy generation modes are used in different parts of the country to provide the country's energy needs. However, hydroelectric power is the main Sierra Leone's energy source. The Bumbuna hydropower plant, located in the country's Northern Province, produces the most electricity consumed as it generates more than half of the country's total electricity. Other hydro-power plants exist in the country, including the 3MW Bankasoka Hydropower in Port Loko (in the Northwestern Province) and the upgraded 6MW Dodo mini-hydro dam in the Eastern part of the country. It would thus be encouraging citing SEZs in any of these Provinces to take advantage of the easy tapping of electricity to promote industries. A decision on the location of SEZs based on mineral resource availability would favor Sierra Leone's Northern, Eastern and Northwestern Province with abundance of natural resources. Such as diamond, gold and iron-ore. However, since data on telecom is not available by Province or district, it is difficult to propose location of SEZs in any Province according to availability and quality of telecommunication facilities.

On the SEZ financing modes, usually, the government sets the general framework highlighting the regulation, legislation, taxation, and incentives for private firms operating in the SEZ. Development partners highlight the critical role of public-private sector linkage co-ordination in financing SEZ. They however pointed out the high interest rate and level of indebtedness as well as poor level of credit worthiness are major challenge. They also indicated their involvement in offering grants and loan schemes for micro and small firms, while enhancing business skills of entrepreneurs, as well as promoting value chain development for businesses in activities such as cocoa fermenting, sorting, among others. Based on international experience, a number of financing options are proposed.

7.2 Recommendations and Implementation Action Plan

The findings from the policy review exercise inform the articulation of some policy recommendations with actions plan presented in Table 27. At least sixteen activities are recommended, along with detailed actions, responsible agency and timeline for each activity. For instance, it is important to first seek approval/amendment or re-enactment of SEZ policy in Sierra Leone where the Federal Executive Council, the Legislature and Judiciary are expected to play a crucial role. The location of SEZ must be strategic and thus, recommendations must be made to the

Federal Executive Council and approval sought from the Legislature after careful considerations. The MTI must prioritize the setting-up of a National Coordinating Committee on SEZs to implement related frameworks and other activities. Other key activities in the development and implementation of the SEZ policy include mainstreaming the policy into NMTDP and NDP; mobilising resources; building the physical structures; allocating firms to facilities; setting up the health and safety framework; setting up the management framework among others. The detailed policy prescriptions and monitoring and evaluation (M&E) framework are provided in the volume II.

Table 25: Recommendations and Implementation Action Plan

S/N	Activity	Detailed Action	Responsible Agency	Timeline	Estimated Cost
1	Approval and Amendment or Re-enactment of SEZ Policy for implementation	i. Approval of the SEZ Policy ii. Amendment or Re-enactment of SEZ Bill	Federal Executive Council Legislature and Judiciary	To be fixed	To be determined
2	Selection and Approval of SEZ Locations	i. Selection of SEZ Locations ii. Approval of SEZ Locations	Federal Executive Council Legislature	To be fixed	To be determined
3	Set-up National Coordinating Committee on SEZs and management framework	i. Implement the framework for the setting up of Sierra Leone SEZ Authority ii. Identify financing and resource sustainability plans iii. identify and prioritize capacity building needs iv. Develop framework for managing the activities in the SEZ	MTI	To be fixed	To be determined
4	Mainstreaming the SEZ Policy into the NMTDP & NDP	i. Integration of SEZ policy into the NMTDP & NDP i. Provision of technical and capacity supports for SEZs implementation ii. Provision of M&E support for SEZs	MoPPED MTI	To be fixed	To be determined
5	Mobilise resources for SEZ Implementation Activities	i. Identify key SEZ activities relating to awareness, finance, capacity building, implementation ii. Develop budgets iii. Conduct of feasibility and viability studies and Business plans v. Engage development partners for potential funding	MTI MoPED	To be fixed	To be determined
6	Building the Physical structures for SEZ	Identifying the strategic site Development of the physical structure Setting up the maintenance system	Ministries of trade and industry Ministry of Works and Public Assets Ministry of Energy Ministry of Planning & Economic Development Ministry of Labour and Social Security Ministry of Lands, Country Planning and the Environment Mines and Minerals Resource	To be fixed	To be determined

7	Allocation of firms to facilities	<ul style="list-style-type: none"> i. Set up policy for facility allocation ii. Receives application from firms for allocation of facilities and allocate facilities accordingly 	SSEZA	To be fixed	To be determined
8	Implementation of Incentives, waivers and other financial issues	<ul style="list-style-type: none"> i. Design framework to resolve the conflicting objectives between the ministry of finance and firms in the SEZs ii. Review and approve waivers, incentives and other financial assistance presented by MTI 	MTI MoF	To be fixed	To be determined
9	Promoting Acres to affordable Land	<ul style="list-style-type: none"> i. Resolving issues relating to access to affordable land and easy Land acquisition, tenure and right ii. Enforcement of Land use and environmental protection policies 	Ministry of Lands, Country Planning and the Environment	To be fixed	To be determined
10	Setting up the health and safety framework	<ul style="list-style-type: none"> i. Develop framework for health and safety in the SEZ ii. Develop health impact assessment for SEZs 	Ministry of health, the SEZ authority, the natural resources Ministry and environment Ministry	To be fixed	To be determined
11	Setting up waste management plants, and renewable energy installations	<ul style="list-style-type: none"> i. Build and equip waste management plants ii. Develop framework for renewable energy use 	Environmental Protection Agency, MTI, Ministry of health, the SEZ authority, the natural resources Ministry and environment Ministry	To be fixed	To be determined
12	Setting up the management framework	Develop framework for managing the activities in the SEZ	MTI, SSEZA and private sector	To be fixed	To be determined
13	Facilitate access of firms to Inputs, including equipment and machinery, labour and skills development	<ul style="list-style-type: none"> i. Develop the policies for the procurement of input from local and international sources ii. Adequate funding of Education including entrepreneurship and technical parts 	MTI Ministry of Education Ministries of Labour & Employment Universities & Research Institutes Government	To be fixed	To be determined
14	Coordination of SEZ Activities	<ul style="list-style-type: none"> i. Monitoring the implementation of the SEZ policy ii. Coordination of activities of the various stakeholders to ensure effective implementation of the SEZ policy 	MTI	To be fixed	To be determined
15	Awareness creation and provision of communication infrastructure and networks	<ul style="list-style-type: none"> i. Awareness creation ii. Provision of communication infrastructure and networks iii. Development of special communication plan for SEZ 	MIC Government & MIC MIC	To be fixed	To be determined
16	Improving the macroeconomic & Business environment	<ul style="list-style-type: none"> i. Maintaining macroeconomic stability and reducing the cost of doing business ii. Improving Governance capacity and quality iii. Attracting Foreign investment 	Special task force consists of relevant ministries such as MTI, Finance, MoPED, etc	To be fixed	To be determined
17	Facilitate export of SEZ products	<ul style="list-style-type: none"> i. Develop the policies for product exports ii. Create incentives to facilitate export 	MTI	To be fixed	To be determined
18	Ensure quality of SEZ products	Conduct inspection and other quality standards checks	Sierra Leone Standards Bureau	To be fixed	To be determined

PART VIII: TECHNICAL APPENDIX

Methodology of the Policy Review

Desk-Work

Analysis of secondary data collected from various sources including Ministries, Departments and Agencies as well as International Organisations.

Review of policy and other documents gathered from the identified sources. These include Sierra Leone Special Economic Zone Policy, Sierra Leone Industrial Policy, Sierra Leone Local Content Policy, and other Policy documents. Relevant research materials such as journal articles, research or technical reports and other materials are also sought and used.

Review the formulation and implementation processes of Sierra Leone's Industrial Policy;

Mainstream environmental and gender issues into the Policy

Development of survey instruments & sample selection

Rigorous analysis of the existing policy, regulatory and institutional environments as well as lessons (via learning) from international experience & best practices

Stakeholders' consultative meetings and in-depth interviews

The relevant stakeholders discussed below **were** consulted to obtain useful information and to seek their supports for the review and implementation of the SEZ policy.

Selected case studies

The players in the existing SEZ were consulted to understand the success and failure factors and to seek their support for the review and implementation of the revised policy.

Survey administration

A. Research instrument

Questionnaire/In-depth-Interview guide was developed to cover various issues relating to the formulation and implementation of SEZ policy in Sierra Leone. It covers awareness, participation, inputs rendering and challenges in the formulation and implementation of SEZ policy in the country. It also covers emerging issues such as impact and management of COVID-19 pandemic and role of digitalisation in SEZ development and curtailment of future crisis. Other important issues in the planning and management of SEZ are interrogated.

Respondents are selected from various stakeholders' groups as shown in the next section.

B. Respondents sample selection and questionnaires administration methods

Level 1: The target audience is the key government ministries involved in developing and implementing Special Economic Zone Policy such as the Federal and State Ministries of Industry & Trade, Finance, Agriculture, Mining/Energy, Natural Resources, Power, Transportation, Foreign or External Affairs, National Planning, other relevant ministries and Departments, Central Bank, Relevant National Assembly Committees, Regional Organizations such as African Development Bank (AfDB), United Nations Industrial Development Organisation (UNIDO) and United Nations Economic Commission (UNECA), among others.

Level 2: This level focused on key government institutions involved in Economic Policy design and implementation. These include Industrial Parks or Economic Zones (Special zones), Exports Promotion Council (EPC), Investment Promotion Council (IPC), Development Banks such as Bank of Agriculture (BOA), Bank of Industry (BOI), and major institutions dealing with textile, agro-processing products (rice and edible oils), automobile, copper, cobalt, wires, power batteries and Pharmaceuticals. Others are

National Revenue Authority

Sierra Leone Investment & Export Promotion Agency

Sierra Leone Special Economic Zone Authority

Sierra Leone Immigration Service

Sierra Leone Ports Authority

Security & Exchange Commission

Sierra Leone Maritime Administration

The Airport Authority

Sierra Leone Standards Bureau

National Insurance company

Sierra Leone Pharmaceutical Board

National Agency for Food and Drug Administration & Control

Environmental Protection Agency

Sierra Leone Chamber of Commerce, Industry & Agriculture

Foreign Investors

International Organisations

Non-Governmental Organisations

Consumer Protection Council

Level 3: This focused on organizations largely representing the Organised Private Sector (OPS) that should be involved in developing and implementing Special Economic Zone Policy. These include Association of Manufacturers, Chambers of Commerce & Industries, Mining and Agricultural Associations especially those formed by key actors in specific sectors like mining, iron ore, textile, agro-processing products, automobile, and so on

Level 4: This is the last set of respondents which consists of individuals directly involved in running institution dealing with implementing Special Economic Zone Policy or Experts with some good knowledge of the history of the institution. The aim is to collect historical information useful in understanding the operations of the institutions. These institutions include Universities, Research institutes, and so on.

Survey analysis methods

Primary data collected are to be analysed using Tables, Figure and charts as well as other appropriate methods.

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QUESTIONNAIRES FOR STAKEHOLDERS' ANALYSIS
STUDY ON SIERRA LEONE's SPECIAL ECONOMIC ZONE POLICY

STATE/LG.....

.....
 TYPE OF ORGANISATION/INSTITUTION (PUBLIC OR PRIVATE)

MINISTRY/SUB-SECTOR OF THE ORGANISED PRIVATE SECTOR

NAME OF YOUR ORGANISATION/INSTITUTION

ADDRESS

NAME OF THE RESPONDENT.....(OPTIONAL)

POSITION OF THE RESPONDENT.....

1. AWARENESS AND POLICY FORMULATION/IMPLEMENTATION (With respect to 2013 Draft SEZ Policy)

- Are you aware of this country's Special Economic Zone Policy?
- Were you invited during the formulation and review of this country's Special Economic Zone Policy? (from inception meeting to evaluation or review to documentation and validation)

.....

- If yes, who invited you?

- What was your role and how did you perform it?

.....

- What do you think is wrong in the process of formulating this country's Special Economic Zone Policy?

.....

- What do you think is left out during the formulation stage of this country's policy?
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- What can you say about the degree of public-private partnership in this country's i Special Economic Zone Policy formulation?
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- What are the challenges to the formulation of the ideal Special Economic Zone Policy in this country?
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- Since Special Economic Zone Policy formulation involves many institutions and stakeholders, are there coordination problems in this country?
- If yes, what are they?
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- What is your position on the current Special Economic Zone Policy formulation process in this country? Comment on different phases
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- Which of the following form the pillars (elements) upon which the industrial policy in this country rest?
 1. Creating Institutional supports for Special Economic Zone development
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 2. Developing Local content policy
.....
 3. Boosting local skills and technology by Investing in Infrastructure education & technology acquisition
.....
 4. Addressing infrastructure bottlenecks
.....
 5. Fiscal incentives mechanisms
.....
 6. Environmental sustainability and Climate change
.....
 7. SEZ development Financing modes
i.....
 8. Running supply chain development programmes among major commodity firms
.....
 9. Coordination of Ministries to improve policy implementation
.....
 10. Trade policy including negotiating regional trade arrangement & fostering intra-African trade
 11. Regional value chain
.....
 12. Digitalisation and dynamism in the services sector
.....
 13. Promoting inter-firms linkages and supports for local firms in strategic industries.....
 14. Productive capabilities, technology & innovation for competitiveness
.....
 15. Other areas (Please specify)
.....
 - At what level(s) do (or would) you participate in the implementation of Special Economic Zone Policy in this country?
 - Rate the level of your participation in the implementation of iSpecial Economic Zone Policy in this country?.....
 - If low, what is (or what will be) hindering your level of participation in the implementation of industrial policy in this country?.....
.....
.....
.....
 - How do you think the African Continental Free Trade Agreement (AfCFTA) will boost the Special Economic Zone development in this country?
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.....
.....

- Which of the industrial products do you think will benefit most from the AfCFTA?
Why?
.....
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.....
- Which of the industrial products do you think will benefit least (or be affected) from the AfCFTA?
Why?
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.....
- What innovative measures should be put in place to maximise the benefits from AfCFTA for Special Economic Zone development in this country?
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- How do you think this country should mainstream AfCFTA into her Special Economic Zone Policy?
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.....
- How do you think the reliance on primary products export and income will hinder the development of Special Economic Zone implementation and development in this country? Describe the severity of the problem.
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- What do you think could be done to minimise the effect of revenue instability on Special Economic Zone development in this country? Give details
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-
- What mechanisms should be put in place to avert the negative effect of COVID-19 pandemic on Special Economic Zone development in this country?
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 - What is the role of Special Economic Zone Policy in averting the negative effect of future pandemic on businesses in this country?
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 - Are the issues of climate change and gender so big as to consider them t in the Special Economic Zone Policy formulation & implementation in this country?
If yes,
why?.....
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 - How can we ensure that digitalisation & ICT usage play important role in reducing the adverse effect of pandemics on businesses in this country?
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 - What are the key issues to be addressed on climatic change in relation to Special Economic Zone Policy in this country?

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-
- How can the dynamics in the services sector aid Special Economic Zone development in this country?

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-
- Removing the challenges to the implementation of the Special Economic Zone Policy in your country requires getting appropriate financing modes, what are your suggestions on financing modes suitable for commodity dependent countries inclosing Sierra Leone which experience income instability?

2. REVIEW AND PLANNING

1. What type(s) of SEZ is (or are) good for Sierra Leone?

- (a) **Free Trade Zones (FTZ):** FTZs duty-free fenced in designated areas providing storage, and distribution facilities for trade, transshipment, and re-export operations
- (b) **Export Processing Zones (EPZ):** EPZs are industrial areas having an industry or a combination of industries primarily focusing at foreign markets.
- (c) **Comprehensive Special Economic Zones (CSEZ):** Comprehensive or Multifunction SEZs are large industrial amalgamations having industrial, service and urban-amenity operations.
- (d) **Industrial Parks (IP):** Industrial Parks are large manufacturing or R&D based sites that work at a smaller scale as compare to comprehensive SEZs.
- (e) **Enterprise specific—single factory zones (ES):** Provide incentives to individual enterprises regardless of where their location is, (they are not required to be located in any specific geographical location)
- (f) **Bonded areas (BA):** These are secured territories, in which goods are stored, manipulated, or can undergo manufacturing operations without payment of duties. The major difference is that a “bonded area” is subject to customs laws and regulations whereas an FTZ is exempted
- (g) **High tech zones (HZ) :** These are aimed at promoting R&D activities and advancement in technology or industries based on science, e.g., pharmaceutical.
- (h) **Eco-industrial zones or parks (EIZ):** These SEZs focus on sustainability concerning waste reduction and improving the environmental performance of companies.

2. Which model(s) of SEZ is best for Sierra Leone? (please tick as appropriate)

- | | | |
|---------------------------------|---------|--------|
| (a) Government developer | Yes () | No () |
| (b) Private domestic developers | Yes () | No () |
| (c) Private foreign developers | Yes () | No () |
| (d) both a& b | Yes () | No () |
| (e) Both a & c | Yes () | No () |
| (f) b & c | Yes () | No () |

- (g) (g) Single unit Yes () No ()
 (h) (h) Scattered units Yes () No ()
 (i) Others (specify).....

3. If you were to locate your firm in the SEZ, what three factors would you consider most? Nearness to

- (a) Market () (b) raw materials () (c) a major port
 () (d) good infrastructure () (e) local universities or
 technology institutes ()
 (f) others (specify)

4. To ensure smooth take-off and effective re-organisation of SEZ, there is need for capacity building and knowledge transfer by supporting government and private sector officials to workshops and mission to places of success story

Yes () No ().

5. To encourage local employment creation and technology transfer, there is need to

- (i) Enforce local content policy in the SEZ Yes ()
 No ()
 (j) Provide additional incentives to local firms to participate in the SEZ Yes ()
 No ().
 (k) Persuade foreign firms to partner with local firms Yes ()
 No ()
 (l) a & b above Yes ()
 No ()
 (m) a to c Yes ()
 No ()

6. Rank the following as factors of SEZ selection: please rank as (1) Not important (2) Least important; (3) important; (4) very important; (5) Most important

- (a) location of the SEZ
 (i) Size(ii) availability and ease of acquisition of land.....(iii) Set up cost (iv) Stamp duty.....
 (b) Linkage of location with infrastructure to complement the local resources and leveraging comparative advantages
 (i) Railway(ii) Air.....(iii) Sea.....(iv) Dry ports(v) Motorable roads.....(vi) proximity to market.....(vii) proximity to raw materials
 (c) Subsidies (fiscal incentives such as tax holidays) availability to potential industries and investors
 (i) Land price discount.....(ii) Transport subsidy.....(iii) tax holiday.....(iv) Mode of payment for land.....(v) import waivers.....(vi) others (specify)
 (d) Availability of facilities such as one window operation, R&D lab availability, and utilities like electricity, water, energy, etc (i) one window operation.....(ii) R&D lab availability.....(iii) utilities such as water, electricity, (iv) health facilities(v) waste disposal facilities.....
 (e) availability of skilled and innovative labor (i) wage rate.....(ii) skill level.....(iii) unemployment rate
 (f) suitability of industry(industries must compliment the resource availability and capabilities of the labor force
 (i) Minerals mines..... (ii) Textiles (iii) Pharmaceuticals(iv) Agriculture(v) Iron & steel.....(vi) services.....(vii) light manufacturing(viii) medium tech manufacturing.....(ix) high-tech manufacturing.....
 (g) Environmental sustainability (i) Land loss.....(ii) Air pollution.....(iii) water stress.....(iv) energy efficiency

- (h) Market orientation (i) domestic market development(ii) value upgrading.....(iii) export.....
- (i) Tariffs, duties, and rules of origin.....
- (j) Average time needed for imports (through main seaport) to clear customs
- (k) Average time needed to obtain an electricity connection

7. Rank the following as potential operational challenges of SEZs (Please rank as in 6 above: (1) Not important (2) Least important; (3) important; (4) very important; (5) Most important)

- (a) Cumbersome land Acquisition Process()
- (b) Instability in the Policy Environment()
- (c) Regulatory Hurdles()
- (d) Lack of Tax Incentives()
- (e) Global Slowdown.....()
- (f) Others
(specify).....
.....

8. Regulatory mechanism for monitoring of SEZs should ensure adequate processes for

- (a) getting approvals for setting up a SEZ Yes () No ()
- (b) acquisition of land process for SEZ; Yes () No ()
- (c) redressal of grievances including compensation, and displacement issues Yes () No ()
- (d) getting permission from the custom authorities; Yes () No ()
- (e) sanctions of claims; process of de-notification & exit Yes () No ()
- (f) Others
(specify)
.....

9. The SEZ Legal and Regulatory Framework must

- set unambiguous ground rules established for all actors. Yes () No ()
- provide a clear and detailed framework flexible enough to meet local requirements and to evolve to meet changing policy needs. Yes () No ()
- avoid creating institutional conflict through overlapping regimes, responsibilities, and accountabilities Yes () No ()
- Other
(specify)
.....

10. Do you agree or disagree with the following as regard Institutional Framework and the SEZ Regulatory Authority ?

- The institutional mechanisms underpinning the SEZ regulatory authority must balance authority and independence with inclusiveness Yes () No ()

- The institutional and administrative structures of the regulatory authority play an important role in determining how effectively the authority carries out its critical function of cross-agency coordination. Yes () No ()
- Most SEZ authorities suffer from a lack of clear, medium-term predictability in their operating budgets.
- There is usually Institutional Conflict
Yes () No ()
- Decentralization of zone authorities presents opportunities for competition and innovation, but in most low-income countries, scale and capacity limitations outweigh the potential benefits
Yes () No ()
- Having a one-stop shop is the objective of virtually all zone programs, however effective administrative delivery remains hampered by weak institutional authority and coordination
Yes () No ()
- In successful zones, customs operations are identified as critical sources of competitive advantage and are given the authority and capacity to deliver an efficient clearance service
Yes () No ()
- Customs effectiveness goes well beyond the gates of the zones; it depends critically on the facilities and operations at ports and airports
Yes () No ()

11. Please provide brief information about your disagreement with any of the above

.....

12. Do you agree or disagree with the following as regard Fiscal Incentives for SEZ?

- Fiscal incentives play a role in attracting investment in the short term, particularly in new zone programs
Yes ()
No ()
- Fiscal incentives are “sticky” and prone to inflation; over-reliance on them distorts investor behavior and can put countries in a “race to the bottom” situation
Yes () No ()
- Fiscal incentives are problematic in the WTO context
Yes ()
No ()
- There is now a movement from removing fiscal incentives and toward integration of zone tax regimes with those of the national economy.
Yes () No ()
- Getting rid of fiscal incentives presents a problem of collective action
Yes ()
No ()

13. Please provide brief information about your disagreement with any of the above

.....

14. Which of the following Zone Administrative Models would you recommend for Sierra Leone?

- (1) Government authorities or corporations
Yes ()
No ()
- (2) Ministries;
Yes ()
No ()

- (3) Zone-specific management boards Yes ()
No ()
- (4) Investment promotion agencies Yes ()
No ()
- (5) Public-private partnership Yes ()
No ()
- (6) Cross-country private and state-state partnerships with clear regulatory framework Yes () No ()

15. Promoting output, employment and other inter-firm Linkages in Sierra Leone (tick as much as you think). One of the most important sources of spillovers from FDI is through forward and backward supply linkages. This could be achieved via (tick 3 most important factors)

- (a) Removal of policy and administrative barriers to local market integration Yes ()
No ()
- (b) Effective training programs Yes ()
No ()
- (c) vibrant local labor markets Yes ()
No ()
- (d) Good network for information sharing Yes ()
No ()
- (e) Technological innovation Yes ()
No ()
- (f) Effective implementation of the local content policy Yes ()
No ()
- (g) Others
(specify)

16. Do you agree or disagree with the following as regard Enforcement and Monitoring of SEZ

- a) Monitoring and enforcement of labor and environmental standards in zones is critical to the success of the Zone
Yes ()
No ()
- b) There must be key indicators for measuring the performance of SEZ and the institutions facilitating its development
Yes () No ()
- c) The economic zone program must be integrated as part of the country's long-term trade, industrial development, and wider economic growth strategy.
Yes () No ()
- d) Others (specify)
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17. Please comment on the current status and performance of SEZs and regulatory institutions in this country and as applicable to your organisation

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18 Please provide other information useful for this study