

## **PARIS CLUB MEETING ON SIERRA LEONE**

**16 October 2001**

### **Statement by the UNCTAD representative**

Over the last year and a half, the Government of Sierra Leone has continued consolidating democracy, establishing law and order, rebuilding the country and redressing the economy. Significant progress has been made in these various areas, and as a result the Government is regaining the confidence of its development partners, as witnessed by the donors' conference held last June and by the convening of today's meeting. The Government indeed should be commended for pressing ahead with its post-conflict economic programme and succeeding in improving the economic situation in exceptionally difficult circumstances. The recovery of economic growth to an estimated 3.8 per cent in real terms in 2000 and a projected 5 per cent this year, curtailing inflation, increasing foreign exchange reserves and Government revenues, are indeed to be seen as major achievements in the context of a still precarious security situation, sub-regional tensions and large-scale destruction of the country's infrastructure and productive capacity, which have adversely affected main revenue sources.

The Government's efforts and the international support required to assist those efforts need to be measured against the dramatic, not to say desperate poverty situation in the country.

Sierra Leone is a country richly endowed with mineral, agricultural and fishery resources. In spite of this, it remains one of the poorest and least developed countries in the world. The last two decades have seen continuous economic and social decline, with sharp deterioration in the economic situation in the 1980s, already causing reduced investment and decay in social and physical infrastructure, followed by decade-long civil war in the 1990s, bringing untold suffering to the people: fighting, looting, extensive physical damage and displacement of the population. Two-thirds of the population now live in absolute poverty. Sierra Leone ranks lowest of all countries on the UNDP human development index, and has the lowest recorded life expectancy in the world, only 38 years. The adult literacy rate is 29 per cent; among women only 16 per cent. Education and health systems have been pushed to the brink of collapse. Of all countries, Sierra Leone also has the most vulnerable population to ill-health.

Sierra Leone shares the structural characteristics of other countries in the category of least developed countries, including high dependence on a few commodities for exports and a very small manufacturing sector. Manufacturing industry contributes only about 5 per cent of total domestic output. Agriculture is still the mainstay of the economy, providing livelihood to 80 per cent of the population. But cultivated area and productivity have fallen drastically with the civil war. This year, self-sufficiency in cereals is estimated at only 23 per cent. Livestock has been decimated, the supply of fish and other marine foods likewise conflict-affected. Overall, food security is very tenuous.

The Government is facing exceptional challenges. First of all there is a still unfinished agenda of resettlement, repatriation and reintegration, as well as repair of basic facilities. The impact on the economy and the society at large of the great number of internally displaced persons and refugees is indeed huge. Out of a total population of around five million, nearly half is displaced. Refugees returning from abroad also have to be resettled; the forecast for returning refugees this is 100,000 persons, of which 70 000 are already back. In its turn, the country is hosting refugees and other nationals from neighboring countries, including newly arrived refugees from Liberia and economic migrants from Guinea.

The global economic outlook has also turned exceptionally uncertain. As has been emphasized, poor commodity-dependent countries like Sierra Leone are the most vulnerable in these circumstances. They have virtually no reserves to cushion the impact of global slowdown, and the populations have no safety nets. The assumptions underlying the projections for achieving debt suitability in Sierra Leone's case have to be assessed in this context. These assumptions include a peaceful environment, real GDP growth of 6 per cent on increase in foreign direct investment over the next few years.

Per capita income in Sierra Leone has more than halved over the two decades. While GNP per capita approached a level of \$300 in the early eighties, it fell below \$200 in the early 1990s when civil war broke out, and is now estimated at around \$130. Only Burundi and Ethiopia record lower per capita incomes. With a projected economic growth rate of 6 per cent and an average population growth rate of 2.4 per cent, per capita income can be calculated to use back to a level of around \$270 in 2020. This means that even assuming stable development and a favourable external environment, the population in Sierra Leone would twenty years hence not yet have recovered then living standards enjoyed in the early 1980s, and would just reach the income of level of Tanzania today.

Long-term development co-operation obviously has been difficult to implement in Sierra Leone as civil war resumed. Official development assistance (ODA) including emergency assistance fell to a level of around \$74 million in 1999, only one-third of net ODA in flows in 1995. There is now need for substantially increased concessional support both for immediate recovery needs and longer-term development projects. In this support effort, debt relief has an important role to play.

Without debt relief, external payment obligations would currently claim over half of Sierra Leone's export revenue. This is clearly an untenable and unacceptable situation. In this respect, the United Nations inter-agency mission to West African earlier this year, as one of two main recommendations in the economic fields, recommended that strategic intervention programmes in countries in this region focus on a lessening of the debt burden, as a critical means to creating an enabling environment for economic growth and development. Poverty reduction can only occur as a result of accelerated and equitable growth in a relatively debt-free environment. It is essential that Sierra Leone's debt service burden be reduced at this point in time to the maximum extent possible, pending full relief under the HIPC initiative. This would not only release resources for priority reconstruction and recovery needs. It would also give a signal of confidence to private investors and, equally important, to civil society and the population at large, that Sierra Leone is well on its way to normalizing its situation and relations with its development partners, and back to a growth and development track. Sierra Leone will further need the support its poverty reduction strategy and in carrying through the economic reforms planned under the new PRGF programmes, so that rapid progress can be made towards the HIPC completion point and a sustainable external situation.