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DIVORCING WEALTH FROM POWER: HOW SUCCESSIVE REGIMES FAIL SIERRA LEONE

Sierra Leone's new President, Julius Maada Bio, assumed a five-year mandate a week ago and is now transitioning from running an election campaign to running a government. Individuals and businesses have been jockeying for his attention since he took oath of office at Radisson Blu Hotel. President Bio has a steep job ahead of him: the economy has been in austerity for 20 odd months; Sierra Leone is at the bottom of the poverty index; institutions are weak; corruption is high as is unemployment, particularly for urban youth who were the vanguard of his campaign for a 'New Direction'. In addition, foreign influence is high; in particular, concerns have been raised about China's overly close relationship with the former Koroma administration where deals worth over USD 8 Billion in extractives, infrastructure and agriculture were struck in 2013. The decisions Bio takes in these formative days and weeks will have far reaching implications for the success of his administration. It is for this reason that IGR prepared this quick retrospective look at the actions Bio's predecessor, Ernest Bia Koroma took, intentionally or inadvertently, that made his party lose popular support and failed to sustain the confidence of voters. Lessons contained in this brief are particularly important for a government whose assumption to power is based on a narrow lead in the recently held elections (3.6%). Additionally, trust in the political class is at an all-time low. Already a number of Bio-pessimists have advanced the belief that the next five years is simply the turn for a new set of elites to "chop." They believe that not only will he renege on his promise to openly declare asset in the first 100 day, but that he will be unable to shake the culture of corruption and impunity that many associate with the State. Understanding and learning from the decisions and state management under Koroma is the subject of this paper, as well as providing policy suggestions for re-building trust in state institutions and ensuring that with a new administration will come a new dawn of development in Sierra Leone.



A. THE POLITICS OF CONSUMPTION AND ITS FAR-REACHING IMPLICATIONS

Scholars have explained why political elites chose to distribute private goods such as financial bribes, cheap alcohol, drugs and food to voters instead of providing public goods such as access to quality health and education¹. It is often easier for voters to identify and reward politicians who provide direct short term benefits than the longer-term interests of society. Bio's new administration faces a dilemma of making two strategic choices: to either (a) run an effective administration that is committed to achieving results in human development and wealth creation for all; or (b) join the many leaders of failed states in enriching a new set of elites at the expense of many. Sierra Leone's continued position at the bottom of many human development indexes is a reflection of the inability of successive governments to invest in improving public goods such as increasing access to clean water, adequate sanitation, healthcare, transportation and quality education as well as an independent judicial system. Instead, elites have generally pursued policies that enrich the political class while millions of voters, including their supporters wallow in poverty. Power was centralized with decision-making concentrated in the hands of the few. This has been a chief criticism of the two administrations since the end of the war, that of Presidents Koroma and Kabbah.

Similar to the promising start of both these presidents, Bio's campaign manifesto, the New Direction, has set out a very ambitious plan to address lawlessness, improve access to education and social services, and increase access to infrastructure and reliable energy. He has also stated in his first address to heads of the civil service that he wants to create an efficient and accountable state that delivers on his plans. How does Bio ensure that his administration does not go down a similar path? The recent elections have shown that the level of citizen awareness and demand for issue-based voting² has increased which bode some promise that it is no longer acceptable for leaders to hold on to power without showing results in 2018. However, in addition to increased citizen demand for better politics, it is important for Bio to take stock of past mistakes and to not repeat them.

B. LEARNING FROM THE POLITICS OF THE PAST

This section draws examples of consumptive politics under the previous administration to show how a continuation of the trend will badly affect the delivery of results under the Bio administration.

I. CRONYISM AND REVENUE FAILURES

President Bio is inheriting a heavily-indebted country with a low-revenue base, and an ailing economy that struggles to produce sufficient revenues to pay monthly salaries to its workers. Sierra Leone's domestic revenue is currently around 12.3% of GDP,³ which is well below the

¹ D Acemoglu and J. Robinson, 2009, *The Economic Origins of Dictatorship and Democracy*. New York, NY: Cambridge University Press.

² See IGR's Briefing note Vol 4, Analysis of the March 2018 Results.

³ 2017 Revenue Estimate of the National Revenue Authority. Revenue was 11.3% of GDP in 2016.

Sub-Saharan average of 16% of GDP. The new government faces two big challenges in revenue management/collection: (a) revenue generated is underreported to the NRA, and (b) cronies and special interest groups easily evade paying their taxes. For a government in dire need to support its financial obligations, President Bio's Executive Orders on 9th April spending duty waivers and tax exemptions did not come as a surprise. An analysis by a local revenue watchdog, Budget Advocacy Network (BAN), shows that Sierra Leone lost almost \$4million from 2012 to 2014 from mis-invoicing of the receipt and transfer of iron ore exports to China alone. A similar study by Ban in 2013 showed that revenue losses are much more serious. "In 2012, Sierra Leone lost \$224m, which was lost to six companies in duty waivers alone due to special group interests"⁴.

A less-examined issue was the ways in which patrimonialism and political interference aided by special interests posed an additional challenge to revenue reforms. For instance, among the early legislative priorities of Koroma upon taking office in 2007 was to push laws which ensured that funds from big revenue generation agencies such as the National Agency for Telecommunication (NATCOM); Environmental Protection Agency (EPA), Maritime Administration and Road Maintenance are not paid into the consolidated fund. He then appointed officials who were close associates and friends to manage the funds. It turned out that revenue from all of these agencies have been understated. A senior official at MOFED estimated in 2017 that approximately \$30,000,000 was estimated as annual revenue from these agencies, but less than 20% was actually reported according to NRA records.

Another challenge has been the use of state revenue to finance politics. In the last election, all the heads of revenue collection agencies were at the forefront of the then ruling party campaign even though the Political Parties Registration Commission Act of 2002 bans public officials from taking open partisan positions in politics. The head of NATCOM is the current Chairman for the APC in Koinadugu, and he was reported in local newspapers to have spent large sums of money on the campaign. Another interesting case is the head of the National Revenue Authority itself. The NRA boss was not only visible in political campaigns in her home district of Bombali in February 2018, but she is currently under police investigation for the withdrawal of unspecified boxes of money from the NRA account a few days before the first round of the polls. An interview with an NRA staff member reveals that on the night that runoff election results were announced and the swearing in of President Bio held, the Commissioner went to the office after midnight to collect the remaining boxes of monies kept in her office. Security officers on duty who requested that she sign a visitor's logbook for entering the premises at that specific time of night are also helping the police with the investigations.

President Bio must recognize that poor fiscal management contributes to undermining the ability of the state to generate revenue from international investments, an identified problem in Sierra Leone. Fiscal indiscipline always reaches its climax during election time and has been a source of past tensions between government and western donors. Indeed weak commitment to revenue discipline and reform was a principal reason for the IMF's decision to stop providing direct budgetary support to Sierra Leone ahead of the elections in both 2007 and 2018.

⁴ BAN. (2013). Losing out: Sierra Leone's massive revenue losses from tax incentives. Budget Advocacy Network (BAN), Freetown.

2. CRONYISM AND MIS-PROCUREMENT

Just as cronyism affects revenue, so also does public procurement. Even though laws exist to ensure competitive procurement and value for money, past governments have taken deliberate steps to ensure that decisions taken by a few, benefit the interest of a few. Sierra Leone law prescribes two ways of ensuring that economic decision making processes are open, inclusive and efficient: A) The executive arm of government is supposed to secure parliamentary approval for all loans and agreements that are signed with foreign bodies; B) All procurement of goods and services should be conducted via a national public procurement process as directed by procurement laws and the National Public Procurement Authority. Despite these processes being in place, public procurement, including security and defense procurements are among the most opaque in Sierra Leone.⁵ On a more worrying note, this mis-procurement has not been adequately investigated agencies such as the National Public Procurement Authority (NPPA) and the Anti-Corruption Commission (ACC), which were established to address cases of corruption and theft as they arise.

An examination of procurement deals with Chinese agencies provides some examples of the lack of transparency in procurement and investment deals, with many of these deals often bypassing local institutions that are meant to provide effective oversight and inclusive governance of the economy. (Table 1)

The table below lists ten examples of business transactions between the GoSL and the Chinese worth about \$300m. Forty percent of these loans have been financed by Chinese entities, while the GoSL funds 50 percent of the contracts to Chinese companies. These transactions share some common characteristics that suggest that there was little oversight of the GoSL's transactions with Chinese entities. This has led to a concentration of both decision making and attendant financial benefits in the hands of a few key Sierra Leonean elites:

- a. *All businesses financed by the GoSL did not go through the mandatory competitive procurement process as required by law.*
- b. *Contracts for the implementation of all projects financed through China were sole-sourced to Chinese companies.*
- c. *Almost all contracts financed by both China and the GoSL have the same set of individuals (all from one family lineage or close friends to the current government) serving as local counterparts.*
- d. *Almost all of the contracts to Chinese firms were awarded before financing was achieved.*

⁵ Transparency International, 2015, Government Defence Anti-Corruption Index.

Table I: Sample of Sierra Leone Government Transactions with Businesses compiled by the Institute for Governance Reform

Contract/Project	Source of funding	Local counterpart	Procurement and Integrity checks
Fibre Optic Project (\$15M) implemented by Huawei Technology Company. To lay cables from Lungi, Makeni to Kono.	Loan-Chinese	Elite A with Government Connections	No competitive procurement process.
Dedicated Security Project (\$15M) implemented ZTE. Security related coms network. (not working at the moment)	Loan-Chinese	Elite A with Government Connections	No competitive procurement process.
Sierratel CDMA-\$16 million implemented by Huawei Technology	Loan-Chinese	Elite A with Government Connections	No competitive procurement process.
Wellington-Masiaka Road-implemented by China Railway \$161M	PPP finance GoSL- 10%. China - 90%	Elite A with Government Connections	Financing not approved by Parliament and toll payment started prior to completion
China Hinana Int Corporation. Kono and Kailahun Road construction Project - \$18M	IsDB	Elite A with Government Connections	Went through proper channels.
Procurement of 100 buses for \$12.0m million-implemented by Poly Technology	GoSL	Elite B with Government connection	No competitive procurement process
Defense contract of \$39.0 million awarded in 2017 implemented by a Chinese company - Poly Technology	GoSL	Elite B with Government connection	No competitive procurement process
Purchase of arms & ammunition for police UN Mission of \$12 million -by Huawei Technology	GoSL	Elite B with Government connection	No competitive procurement process
Construction of 5 blocks of student hostels at FBC, Njala, Milton Margai and Unimak - \$22 million by China Gouji Dev. Group	GoSL	Elite A with government connection.	No competitive procurement process

Although many of the procurement lapses in these transactions were published in the special audit report by the Auditor General on Procurement in Selected Institutions they have largely failed to attract the attention of law enforcement agencies.⁶

An investment of special note is the Mamamah Airport. At the tail end of President Koroma's final term in office, the Government of Sierra Leone signed a \$318m Chinese loan for the con-

⁶ Auditor General Special Audit on Public Procurement in Selected Institutions – 2016.

struction of a new airport, despite significant opposition for the project on many fronts. The grant was initially signed by the former Minister of Foreign Affairs, who later became the flag bearer of the former ruling party - without conducting any feasibility study. One year later, a feasibility study was conducted by Ernst and Young on the Mamamah airport, and concluded that Sierra Leone does not have sufficient air traffic to justify building a new airport, with not more than seven planes visiting Sierra Leone on any given day. Instead, the feasibility study advised that

“Lungi International Airport can be used on a mid-term frame (5-10 year) to allow Sierra Leone to accommodate traffic growth provided that reasonable work is done to upgrade the infrastructure. The current issue is the location of Lungi Airport and access to Freetown. There are more economical options to be considered to improve transport options across the bay. One alternative is the use of commercial ferries which are commonly used to transport passengers and cars across bays, rivers and lakes in other parts of the world. Given the width of the bay, another alternative to consider would be to construct a road bridge connecting Lungi Airport and Freetown. These two options are not meant to be seen as comprehensive solutions to Sierra Leone’s transportation challenges but are presented as credible alternatives, and less costly ones, to consider. Both of these alternatives will service the surrounding areas of Lungi Airport and can make Freetown more accessible. Furthermore, these options will provide less stress on the Sierra Leone Airport Authority than building a new International airport in close proximity to two other active airports that will only increase the operational complexities and challenges of air traffic control and airport operations.” (Ernst and Young 2016).

The Mamamah feasibility study also concluded that it would be very challenging for the Government of Sierra Leone to operate a new airport and maintain Lungi Airport at the same time. This point is shared by some members of the senior management of Lungi Airport.

According to the Ministry of Finance records, the Mamamah loan could raise Sierra Leone’s foreign debt burden to \$2.5bn and constitute the heaviest financial obligations to a single foreign country since the end of the war. An official of the Ministry of Transport and Aviation suggests that the Korean government proposed an alternative arrangement: to provide a soft loan of about \$72m (about 20% the cost of Mamamah) with a loan repayment period of 54 years at 0.1% interest to facilitate sea traffic to Lungi Airport. This would include the construction of more landing jetties as well as increase the numbers of ferries and boats. This alternative to Mamamah would cost the Sierra Leone state significantly less.

Although the loan has not received the mandatory parliamentary approval, and instead garnered both domestic and international condemnation, the Koroma administration nevertheless announced plans to go ahead with the project, and formally launched it on March 1, 2018. This has considerable implications for Sierra Leone: re-payment of the loan has binding long-term effects on how subsequent administrations will prioritise development and revenue allocation in the years to come, and it provides China with undue power and influence over the national economy. Furthermore, it inevitably limits the decision-making ability of President Bio’s new government and curtails the voice and will of the people that voted for his national vision in the recent election. The government’s commitment to Mamamah in the face of opposition from various quarters is indicative of the power of a handful of elites to take economic decisions that will un-

duly impact on the Sierra Leone citizenry, as well as China's growing power and influence in Sierra Leone.

With the exception of Koroma's handpicked candidate, Dr. Samura Kamara, all presidential aspirants, in the recently televised presidential debate, including Bio vowed not to take the project forward. The new administration must ensure that all procurements go through the proper channels, and the new crop of parliamentarians, including the opposition, have to make sure they are vigilant in scrutinizing all deals and ensuring they are in the interests of the people of Sierra Leone.

3. IMPUNITY AND INDISCIPLINE

One of President Bio's commitments is to address indiscipline and lawlessness, something similar to Koroma's Attitudinal and Behavioral Change introduced ten years ago. The President has recently issued a release calling on all public sector workers to report to work at 8.30am, and for all residents in Freetown to set aside one Saturday of each month for a public cleaning of the city. These executive proclamations have already been criticised as a form of executive overreach into the domain of the Freetown City Council, and is not in conformity with current best practices for the organization of proper sanitation and waste management in cities.

This paper maintains that public indiscipline is established and promoted by bad examples at the top. The failure to punish public officials and lack of open public performance targets will continue to breed poor commitment to duty at the top and indiscipline at the bottom. These deep-rooted problems cannot be addressed by superficial pronouncements and instead require a fundamental re-thinking of governance and accountability processes. Freetown and the country as a whole have noticed that successive administrations have created a privileged group of Sierra Leoneans, with selective application of the law.

It is difficult for ordinary citizens to know institutional targets that can be used to hold government to account. For example, performance contracts for government officials are not accessible to the public. Rather, on an annual basis, State House produces its own performance rating of public institutions, which oftentimes appear to be driven more by political considerations than service delivery calculations.

The actions of police provide another example of selective application of the rule of law. Under the prior administration, there were instances of suppression of anti-government protests such as those that occurred in places like Bo, Kabala, Bumbuna, Kenema and Freetown against the abuse of laws as well as improved public services. In addition to selective application of the law, the police are also found to be unaccountable. For instance an IGR report concluded that the SLP fails to properly account for funds they collect for services a significant number of armed police officers, including those who have rented out their services privately.⁷ Prior reports from a KAP Study by IGR also show low levels of trust in the police with citizens believing that they do not administer justice equally. President Bio has to ensure that the police force is more accountable, and more open and transparent in their dealings with citizens

⁷ IGR - Critical Perspectives of Governance Vol VI - Cost of Politics; Understanding Violence and Divisions in Sierra Leone.

4. OVERLY FOCUSING ON POLITICS AT THE EXPENSE OF POLICY

Koroma has been heavily criticized in some quarters for focusing on winning elections rather than tackling the underlying causes of poverty; such as building an inclusive society, tackling corruption and providing equitable services. Some have argued that the creation of 40 chiefdoms in his party's stronghold just months before the election as well the census data were all means to increase MP constituencies in his area of support.

Koroma's development agendas: Agenda for Change and The Agenda for Prosperity largely focused on infrastructure, energy and extractives - where it was relatively easier to show results, arguably win votes, as well as generate rents. The real human development challenges of Sierra Leone - quality education, access to health and women's empowerment were tangential priorities of the administration. The devastating effect of Ebola further laid bare the neglect in human development and failure of the central government to invest in decentralization. Since 2007 no additional functions were decentralized to local councils, and initiatives such as the post-Ebola Recovery Initiative were implemented by State House.

President Bio's campaign focused on three areas intended to change the political narrative: (a) to invest in education by providing universal access to free education, and b) tackling corruption; and c) investments in the economy. Achieving results in these three areas will require substantial changes in the way politics is practiced. For example, State House has to ensure that devolution is completed and decentralized structures are functional, and adequately financed. State House should take steps on issues like school approval and teacher transfers by devolving decision-making to the districts. Resource allocation to local councils should meet minimum targets.

C. RECOMMENDATIONS

For President Bio to break from the past and take Sierra Leone in a New Direction of effective and open governance he should be ready to make strategic choices that will encourage government to focus on production rather than consumption. Divorcing wealth from power should be the real example shown from the top. Authors of this report are very cognisant that leaders do make mistakes. But the ability to learn from mistakes contributes to their resilience in their call to serve society. In light of the foregone analysis, we present the following recommendations:

1. HE Bio will increase citizen trust and confidence in government by fulfilling his first 100 days plan, especially with the publication of assets (and possibly liabilities) by top government officials. IGR believes that the strategy of separating wealth from power should be at the heart of President Bio's New Direction. This is already a manifesto commitment of the president and also rests squarely within the Citizens Manifesto prepared during the election campaign.
2. Because of persistent failure of governance and service, citizen trust in politicians is generally low. President Bio can revive that trust by demonstrating honest leadership starting with a close reexamination of his campaign promises and present a realistic agenda to the public. The mantra of President Bio's campaign - Free Education For All need to be reexamined to agree on an achievable plan. If the Free Education programme faces similar challenges as the Free Health Care programme, the integrity of the political class will be further questioned.

3. The first move towards ensuring discipline in the public sector is laudable. We further advise that discipline in the public all public institutions must start from the top and be judiciously enforced without bias. Key to this approach is the knowledge that justice will be fairly applied, and institutions such as the police and the courts must be seen as separate from the executive and disciplined in their application of the law.
4. Decentralization should be high on the agenda of State House. President Bio could ensure that devolution is completed and decentralized structures are functional, and adequately financed.
5. There should be greater transparency in all government transactions and activities. Government should take steps to make performance bonds with MDAs open to the public so that they can be monitored and held accountable. All procurement projects should follow open and transparent bidding processes as per Sierra Leone's Open Government commitments. Past projects that have not been subject to open reviews should be re-visited, including the Mamamah Airport project as well as the Toll Road and state enterprises that have been privatised.
6. The Anti-Corruption Commission should actively consider a risk analysis of Chinese businesses and advise on ways of improving corporate governance standards.
7. Civil society should consider as a matter of urgency holding a forum on national cohesion and national diversity management. The recommendations of the forum should be actionable and should feed into the overarching framework of governance for the next five years.
8. Having learnt how sycophancy can lead to the personalization of power in the hands of one man and undermine effective leadership, President Bio and his administration should be open to receiving and giving feedback to all categories of people, including his critics and the political opposition.