

Statistics Sierra Leone

Annual Economic Survey Report 2012

Economic Statistics Division



SEPTEMBER, 2013



Statistics Sierra Leone

2012 Annual Economic Survey

Economic Statistics Division

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Mohamed King-Koroma
Statistician General

ABBREVIATIONS

AES	Annual Economic survey
BSL	Bank of Sierra Leone
COE	Compensation of Employees
GGDO	Government Gold and Diamond Office
GDP	Gross Domestic Product
GVA	Gross Value Added
ISPs	Internet Service Providers
NPA	National Power Authority
ISIC-Rev.3.1	International Standard Industrial Classification Revision 3.1
PRSP	Poverty Reduction Strategy Paper
SNA93	System of National Accounts 1993
SSL	Statistics Sierra Leone

EXECUTIVE SUMMARY

The 2012 Annual Economic survey (AES) was conducted on the backdrop of a strong recovery from the impact of the devastating global financial and economic crisis of 2009; and was designed to capture information about the economy, which could be used to assess the performance of the economy in 2011. The survey provided information used to estimate the Gross Domestic Product (GDP) and other economic aggregates for 2011 and projection for 2012. This survey report is intended to provide additional information used to answer specific questions on employment, expenditure, revenue, capital expenditure and changes in stocks, which are normally reported in the National Accounts and essential for a better understanding of the dynamics of the economy. The establishment survey covers economic activities that are of significance to the Sierra Leone economy. In all, ten (10) sectors of the economy were covered in the survey namely, trade, other business services, manufacturing; construction, communication, finance (foreign exchange bureau), Air travel agencies, shipping agencies and insurance. The basic information collected on establishments includes the number of persons engaged, compensation of employees, sales value of goods produced and purchased for resale, inventory and capital expenditure. This annual economic survey was conducted under the Statistics Act 2002, which does not only makes it mandatory for all business establishments operating in Sierra Leone to submit returns to Statistics Sierra Leone with the relevant statistical information, but also stipulates that the content of individual returns received would be kept confidential and used only for statistical purposes.

The survey covered business establishments operating in the Four Regional Cities of Freetown, Bo, Kenema and Makeni. These four cities together constitute over 65% of businesses operating in this country. Agriculture, which contributes about 45% of GDP, was not covered in this survey. Also not covered in this survey are Mining & Quarrying and formal commercial banks, electricity, water and gas industries. For these industries, we rely on administrative data supplied to Statistics Sierra Leone by the various stakeholders such as the Ministry of Agriculture Forestry and Food Security for Agriculture data; the Bank of Sierra Leone (BSL) for commercial banks, Government Gold and Diamond Office (GGDO) for data on mining; the National Power Authority (NPA) for electricity data; and so on.

The main objective of the Survey is to provide annual estimates for the compilation of national accounts aggregates such as the GDP, as well as for analyzing the structure and performance of the business sector in Sierra Leone. It is intended to estimate the contribution of the business sector to GDP, as well as to monitor the development in

the various sub-sectors. The Survey is aimed at providing information necessary to inform economic policy.

The Business Register served as the frame for the selection of establishments for the survey. The sampling design for the survey was based on stratified random sampling by industry and other relevant variables such as the size of employment. Firstly, establishments in the Business Register were categorized by industry; then all those establishments with a large employment size of 50 and above employees (including proprietors and working partners) were selected with certainty (take-all stratum). A simple random sample was then drawn from the remaining establishments with less than 50 employees. In this way, the survey captured all large establishments operating in the country as well as a significant number of small-medium scale establishments some of which are informal.

From a total of 9018 establishments operating in the country, 467 establishments were statistically selected for the survey. The survey covered 74 larger establishments, and 393 small-medium-scale establishments. Although the statistical unit in the survey is the establishment, sampling was done at enterprise level. Once the enterprise was selected for inclusion, all the branches/divisions were automatically included, except in the event the branch(s) kept separate books of accounts. Given the nature and scope of the subject matter, a self-completed questionnaire was deemed to be the best way of collecting information. With a business audience in mind, the length of the questionnaire was limited to allow completion in less than forty five minutes. The questionnaire was designed to capture various information ranging from basic information about the business, size of employment, revenue, wages, salaries, operating cost, to capital expenditure and business environment. Although the survey was conducted in 2012, it sought to obtain information about the 2011 fiscal year, with projections for 2012.

The 2012 Survey targeted 446 establishments; of this number of establishments, 43.8% were in the Western Area alone. Out of the 467 establishments targeted, 409 (87.2%) establishments were successfully interviewed. The non-responses (12.8%) were largely due to closure or not found cases as well as outright refusal to provide the relevant information. Since, these survey data are estimated based on information obtained from survey questionnaires sent to all large establishments and to a sample of small establishments in the business register, weights were developed to reflect the national position of establishments operating in Sierra Leone. The weights were further adjusted to reflect the short fall in the sample; that is, to account for non-responses as well as to blow the sample estimates to national estimates. The

industrial classification was used as the primary survey-sampling unit; as a result sampling weights were developed at industry level.

Limitation

When comparing the results of the survey with National Accounts estimates, one should note that there are methodological differences between the survey estimates and those for the same sector incorporated in the final National Accounts estimates particularly as it relates to the estimation of Gross Value Added. In National Accounts compilation, the recommendations of the System of National Accounts 1993 (SNA93) are followed; and administrative data are also included in the estimation of GDP. Also the regular National Accounts aggregates include the estimates of informal activities for the different sectors. These estimates are lacking in the current survey estimates that have been made. Informal activities in Sierra Leone cover a wide range of economic activities and therefore contribute greatly to national output.

Key Findings

- The result shows that the trade industry, wholesale or retail trade businesses, accounts for the highest percentages (76.8%) of business establishments in Sierra Leone. The share of manufacturing and other businesses services establishments was 10.6% and 7.1% respectively. The high proportion of establishments operating in the trade sector underscores the fact that the Sierra Leone economy is mainly a distributive economy relying mainly on imports for commerce, with devastating consequences on the depreciation of the national currency.
- The data shown that the trade industry employed the largest part of the labour force (70% of total employees), with females contributing 23.5% of the employed in 2011 at the national level.
- In 2010, the participation of females in trading was 9.5%; while in 2011 it was 25.3%.
- In the opinion of most business establishments' owners and managers interviewed, Sierra Leone business environment is fairly good but they experienced lower demand for their products in 2011 compared with 2010. However, about half of the business executives expressed uncertainty about the business outlook in 2012, which could be based on the fear of election violence in 2012.
- Within industry, establishments in the Air Travel Agencies, Communication, Insurance and Shipping Agencies (72.2%, 60%, 90.0% and 60.0% respectively) all experienced higher demand for their services in 2011 compared to 2010.
- When asked about the use of the Public Phone, out of 9018 businesses, about 18.3% of the respondents said they use telephone landlines in their business communications in 2011, compared to 34.2% in 2010, which means that more business people are moving away from using landline in business communication. Whereas mobile phone use is more common in all regions than the use of landlines for business communication, as 97.3% of respondents said they use mobile phones for business communication in 2011.
- Only 26.4% of business have access to internet in 2011 compared with 34.4% in 2010
- Northern region now has about 93.8% of business establishments not connected to public power supply in 2011, which is higher than the 58.9% in 2010. This means that there are more new businesses established or operating in the north that are not connected to public electricity supply in 2011. All the other three regions: East (97.0%), South (77.6%) and West (90.8%) have a large proportion of business establishments connected to public power supply.
- However only 18.9% are satisfied with the less than 6 hours of electricity supplied to them for business; on average businesses need at least 9 hours of electricity.
- In General, communication and insurance industries are the major users of computers in 2011, similar to 2010.

CHAPTER 1: INTRODUCTION

1.0 Introduction

Sierra Leone has continued to enjoy robust economic growth in 2012, which indicates a continuous recovery of the economy from the 2008/09 financial and economic crisis. Although the crisis affected the growth prospects of the country, the economy grew by 5.4% in 2008 and 3.2% in 2009, which were above the 3.4% and 2.3% growth rates for the entire African continent for 2008 and 2009 respectively. The economy started re-bouncing back from the crisis in 2010. Real GDP grew by 5.3 percent in 2010 and 6.3 percent in 2011, largely on account of growth in agriculture, mining, manufacturing, and construction and service sectors. . The discovery and commencement of mining of iron ore in the North, has added new impetus to the government development effort as GDP growth is estimated at 15.2% in 2012 mainly on account of the production and export of 6.5 million tons of iron ore. GDP without iron ore is estimated to grow by 5.3% in 2012. This 5.3% growth rate built on the backbone of agriculture growth, non-iron ore mineral growth (diamonds, rutile and bauxite), enhanced electricity and water supply, continued government spending on infrastructure and expansion of services such as banking, communication tourism, trade and transport services in the economy.

The exchange rate has stabilized after depreciating by 28 percent in 2009, although inflation is still in the double digits level in 2012 due to food and fuel price increases in the global market.

With a population of a little over 5.8 million and with huge deposits of minerals, Sierra Leone has been described as a country of great potentials for growth and development. The discovery and commencement of mining of iron ore in the North, has added new impetus to the government development effort as GDP growth is estimated at 15.2% in real terms in 2012 mainly on account of the production and export of 6.5 million tons of iron ore.

However, the key challenges for the country in 2013 would be the stabilization of prices in the face of huge capital projects financed from limited domestic

resources and the reduction of unemployment, especially among the youth. The issue of unemployment has been a concern for the Government for quite some time now, and a lot of programmes were on the way to address this situation including the establishment of the Youth Commission. However the absence of comprehensive data on labour force indicators is hampering effort to address issue of unemployment in the country. Since the last labour force was conducted in 1989 (which is a pre-war period), there is a urgent need for a full-blown labour force survey to be conducted to provide vivid description of the labour market situation in the country. This is even more urgent as we enter into the implementation phase of the Agenda for Prosperity (PRSP 111), which aims at providing jobs for the youth and diversifying the economy.

The 2012 Annual Economic survey (AES) was designed to capture information about the economy, which was used to assess the performance of the economy in 2011. The survey provided information used to estimate the Gross Domestic Product (GDP) and other economic aggregates for 2011 and projections for 2012. This survey report is intended to provide additional information used to answer specific questions on employment, expenditure, revenue, capital expenditure changes in stocks, etc. normally reported in the National Accounts and essential to a better understanding of the dynamics of the economy. The establishment survey covers economic activities that are of significance to the Sierra Leone economy, namely, trade, other business services, manufacturing; construction, communication, finance and insurance. The basic information collected on establishments includes the number of persons engaged, compensation of employees, sales value of goods produced and purchased for resale, inventory and capital expenditure.

1.1 Objective of the Survey

The main objective of the Survey is to provide annual estimates for the compilation of national accounts aggregates such as the GDP, as well as for analyzing the structure and performance of the business sector in Sierra Leone. It is intended to estimate the contribution of the business sector to GDP, as well as to monitor the development in the various sub-sectors. The Survey is aimed at providing information necessary to inform economic policy formulation and management.

The specific objectives of the survey include the following:

- To assess the employment situation in the business sector
- To estimate the turnover of establishments
- To Examining the wage bill of establishments
- To estimate the profit margin of establishments
- To provide information for estimating the Gross Value Added and hence GDP of the industries
- To assess the business and ICT environment in Sierra Leone

CHAPTER 2: THE SURVEY METHODOLOGY

2.0 Coverage (Geographic, Establishment and Content)

Establishments in Sierra Leone are classified according to the International Standard Industrial Classification Revision 3 (ISIC-Rev.3.1), which is based on the economic activities they undertake. This classification is important since it facilitates comparison with other countries. The survey covered business establishments operating in the Four Regional Cities of Freetown, Bo, Kenema and Makeni. These four cities together constitute over 65% of businesses operating in this country. Data was collected on a variety of issues such as employment, operating expenses including payroll and fringe benefits; non-operating expenses, sales revenue; capital expenditure and business environment.

In all, ten (10) sectors of the economy were covered in the survey. The sectors covered in the survey are shown in Table 2.1:

Table 2.1: Industry coverage: ISIC-Rev.3.1 Codes for 10 Industries

No.	Industry	Code
1.	Air Transport	6304-6309
2.	Bureaus (Other Financial Institutions)	6519
3.	Communication	6412-6420
4.	Construction	4520-4540
5.	Hotels & Restaurants	5510-5520
6.	Insurance	6601-6720
7.	Manufacturing	1520-3691
8.	Other Business Services	7130-7530
9.	Shipping Agencies	6023-6120
10.	Trading	5010-5260

Agriculture, which contributes about 45% of GDP, was not covered in this survey. Also not covered in this survey are Mining & Quarrying and formal commercial banks, electricity, water and gas industries. For these industries, we rely on administrative data supplied to Statistics Sierra Leone by the various stakeholders such as the Ministry of Agriculture Forestry and Food Security for Agriculture data; the Bank of Sierra Leone (BSL) for commercial banks, Government Diamond and Gold Office (GDGO) for data on mining; the National Power Authority (NPA) for electricity data; and so on.

2.1 Sampling Design

The Business Register served as the frame for the selection of establishments for the survey. The Register was developed based on the information captured in the Census of Business Establishments conducted in 2005; and it has since been updated annually using administrative lists of establishments.

The sampling design for the survey was based on stratified random sampling by industry and other relevant variables such as the size of employment. Firstly, establishments in the Business Register were categorized by industry; then all those establishments with a large employment size of 50 and above employees (including proprietors and working partners) were selected with certainty (take-all stratum). A simple random sample was then drawn from the remaining establishments with less than 50 employees. In this way, the survey captured all large establishments operating in the country as well as a significant number of small-medium scale establishments some of which are informal.

2.1.1 Classification of Establishments

There is no internationally accepted criterion for classifying establishments into micro, small, medium or large establishments; which means that the classification varies from country to country, organization to organization and even from survey to survey depending on the nature of the objectives being pursued. However, a number of criteria have been used to define SMEs. The commonly used yardsticks are total number of employees, total investment and sales turnover. For instance, the number of employees, invested capital, total amount of assets, sales volume and production capability and profit have all, one way or the other, been used to classify establishments. However, Statistics Sierra Leone is using employment size to classify establishments as indicated in the Census of Business Establishments Report (2005), which classified establishments as follows:

Petty Enterprise	1-4 employees
Small Scale Establishment.....	5-19 employees
Medium Scale Establishment	20-49 employees
Large Scale establishment.....	50 and above employees

Apparently, all those establishments that engage less than 50 workers are classified as micro (petty), small to medium scale enterprises (SMEs). The concept of defining SMEs is further complicated when there is need to clearly distinguish between formal and informal economic activities. The later is believed to be playing a significant role in the economy. Small and Medium scale enterprise (SMEs) are an important part of private sector in Sierra Leone.

2.1.2 Sample Size

From a total of 9018 establishments operating in the country, 446 establishments were statistically selected for the survey. The 446 sample size was distributed among the 10 industries covered in the survey as shown in Table 2.2.2 using their respective shares in the total number of persons engaged obtained in the business register as well as prior knowledge of the economy to permit analysis at the industry level. The final distribution is shown in Table 2.2.2.

Table 2.2.2: Sample Distribution

Industry	Population of Establishments	No. of Large Establishment (50+ workers)	No. Sampled (<50) Workers	Total Sample
Air Transport	18	1	12	13
Bureaus (Other Financial Institutions)	35	0	16	16
Communication	10	6	4	10
Construction	70	8	42	50
Hotels & Restaurants	337	10	70	80
Insurance	10	5	5	10
Manufacturing	960	11	64	75
Other Business Services	636	19	65	84
Shipping Agencies	15	3	9	12
Trading	6927	11	106	117
Total	9018	74	393	467

Those large establishments with at least 50 employees were selected with certainty, while the systematic random sampling techniques were used to select from those establishments with less than 50 employees.

The survey covered 74 larger establishments, and 393 small-medium-scale establishments as seen in Table 2.2.2. Purposive sampling technique was also used in the allocation of sample sizes presented in Table 2.2.2 (column 5), taking into consideration the features of the economy and the number of establishments in each industry. So for industries such as Communication and Insurance where the population of establishments was very small, all the establishments in these industries were included in the sample.

Although the statistical unit in the survey is the establishment, sampling was done at enterprise level. Once the enterprise was selected for inclusion, all the branches/divisions were automatically included, except in the event the branch(s) kept separate books of accounts.

2.1.3 The Questionnaire

Given the nature and scope of the subject matter, a self-completed questionnaire was deemed to be the best way of collecting information. With a business audience in mind, the length of the questionnaire was limited to allow completion in less than forty five minutes. The questionnaire was designed to capture various information ranging from basic information about the business, size of employment, revenue, wages, salaries, operating cost, to capital expenditure and business environment. Although the survey was conducted in 2010, it sought to obtain information about the 2010 fiscal year, with projections for 2011.

2.2 Data Collection

This annual economic survey was conducted under the Statistics Act 2002, which makes it mandatory for all business establishments operating in Sierra Leone to submit returns to Statistics Sierra Leone with the relevant statistical information. The Act also stipulates that the content of individual returns received would be kept confidential and used only for statistical purposes. An invitation letter signed by the Statistician General of SSL was enclosed with all questionnaires to encourage business owners/executives to provide the relevant data relating to their businesses and to assure them of the confidentiality of the data collected.

There were a total of 16 Enumerators that were deployed to Bo, Kenema, Makeni and Freetown data collection centers to carry out the data collection exercise under the supervision of 6 Supervisors, 2 National Coordinators and one Survey Director. Data was collected for a period of six weeks starting from July, 2012 and referred to actual figures (in million Leones) for the fiscal year 2011, with projections for 2012. However, 2012 projection figures were not included in this report due to the incompleteness of the data provided for some sectors.

2.3 Quality Control

The National Coordinators of the Survey as well as the Survey Director monitored the data collection exercise on a daily basis in Freetown as well as in the Provinces through telephone and other means to assist Enumerators to do their work effectively and diligently. In addition visits were made to some establishments in Freetown and in the Provinces to validate the data collected in each of these centers.

2.4 Sample Achieved

The 2011 Survey targeted 446 establishments; of this number of establishments, 61% were in Freetown alone. Out of the 467 establishments targeted, 409 (87.6%) establishments were successfully interviewed. The non-responses (12.4%) were largely due to closure or not found cases as well as outright refusal to provide the relevant information.

2.5 Data Processing

The Data Processing Division of Statistics Sierra Leone undertook the computer processing of survey questionnaires. The information in completed questionnaires was manually scrutinized, edited and coded before sending them for entry. Computer editing was also done as a way of validating the data. The data entry process lasted for about three weeks.

2.6 Sample Weights

Since, these survey data are estimated based on information obtained from survey questionnaires sent to all large establishments and to a sample of small establishments in the business register, weights were developed to reflect the national position of establishments operating in Sierra Leone. The weights were further adjusted to reflect the short fall in the sample; that is, to accounts for non-responses as well as to blow the sample estimates to national estimates. The industrial classification was used as the primary survey-sampling unit; as a result sampling weights were developed at industry level.

2.7 Limitations of Survey Estimates

When comparing the results of the survey with National Accounts estimates, one should note that there are methodological differences between the survey estimates and those for the same sector incorporated in the final National Accounts estimates particularly as it relates to the estimation of Gross Value Added. In National Accounts compilation, the recommendations of the System of National Accounts 1993 (SNA93) are followed; and administrative data are also included in the estimation of GDP. Also the regular National Accounts aggregates include the estimates of informal activities for the different sectors. These estimates are lacking in the current survey estimates that have been made. Informal activities in Sierra Leone cover a wide range of economic activities and therefore contribute greatly to national output.

CHAPTER 3: PRESENTATION OF RESULTS

3.0 Presentation Of Results

The annual economic survey results presented here give an analysis of the structure of the business sector of the economy, providing basic information on employment, location of establishments, revenue, wages and expenditure of businesses operating in the country. It provides a vivid picture of the general business climate in the country. This chapter presents and discusses the results of the survey for the 2008 fiscal year; the data is presented in tables and charts/figures.

3.1 Concepts and Definition of Terms

The Annual Economic Survey is an establishment-based survey, which means that establishments are technically the respondents of the survey. However, since establishments are owned and run by persons, the respondents of this survey are essentially business owners/executives or in their absence, any designated worker/employee who is knowledgeable about the affairs of the business. Therefore, the information obtained in survey and presented in this report relates to establishments operating in the various sectors of the economy included in the survey. This section gives a brief description of technical terms used in this report.

3.1.1 Statistical Unit

The statistical unit is the entity for which data is being gathered. For the 2010 Annual Economic Survey, the establishment was used as the statistical unit which was defined as a business or organization unit engaged in one activity and operating in a single location. Thus, a multi-activity firm or organization (otherwise known as the enterprise) with several units engaged in separate activities in the same location constitutes distinct establishments. Similarly, each branch of a multi-branch organization at a different location is conceptually a different establishment. So the reporting unit, the entity from which the data were gathered, may or may not have been the enterprise.

However, the survey covered the lowest level of a business unit for which separate records are kept for such details as revenue, expenses and employment.

The distinction between the statistical unit and the reporting unit is particularly relevant in the context of the survey since many enterprises do keep consolidated accounts of all its units or branches. Thus, in practice, the accounts of an enterprise are centrally kept such that it is not possible to obtain separate data for each individual unit or branch; the enterprise was treated as a single reporting unit and allowed to submit a consolidated return covering all units or branches. The use of both the enterprise and the establishment as reporting units for the 2009 Annual Economic Survey was decided upon after considering the number and the importance of multi-activity unit enterprises that keep consolidated accounts of their branches as recorded in the Business Register.

3.1.2 Definition of Other Terms

Kind of Activity: This referred to the specific activity the business was undertaking. The kind of activity characteristic was the principal variable, which determined the ISIC code of the establishment. For establishments engaged in more than one activity, the main or principal activity was used to classify the enterprise.

Number of Paid Employees (Total Employment): This included persons working in the establishment and receiving pay, as well as persons working away from the establishment who were paid by and under the control of the establishment (excluding home workers). These included all workers whether part-time, on paid sick leave or on training.

Other Workers: These included all Working Proprietors, Partners and Executive Directors only receiving a dividend or share of profit as payment as well as the unpaid (family) workers and apprentices; but excluded voluntary workers.

Number of working proprietors: These were defined as all individual proprietors and partners who were actively engaged in the work of the establishment, excluding silent or inactive partners, whose principal activity

was outside of the establishment. This category was not applicable to any incorporated or similar enterprise the ownership of which is represented by holding of equity shares.

Number of unpaid family workers: Unpaid family workers referred to persons who lived with the proprietor of the unit and worked regularly for the unit, irrespective of the number of hours worked during the reference period, but did not have a contract of service and did not receive a fixed sum for the work they performed. Unpaid family workers who at the same time were in paid employment with another unit as their principal occupation were not considered as employed in the concerned unit. On the other hand, family workers who receive pay for the work performed and were not in paid employment with another unit, as their principal occupation were classified as employees.

Number of Persons Engaged: This was defined as the total of paid employees and other workers of the business. The following categories of workers were included:

- Unpaid business partners;
- Unpaid family workers;
- Persons working outside the unit who belonged to it (e.g. sales representatives, deliver personnel, repair and maintenance teams) provided that they received a regular salary from that unit;
- Persons on short-term leave (sick leave, annual leave or vacation);
- Persons on special paid leave (educational or training leave, maternity or parental leave);
- Persons on strike;
- Part-time workers on the payroll;
- Seasonal workers on the payroll;
- Apprentices on the payroll;
- Home workers on the payroll, paid for the work done

Wages and Salaries: These included wages and salaries and supplementary benefits in cash as well as in kind.

Total Revenue: is income that a company receives from its normal business activities, usually from the sale of goods and services to customers; it is also referred to as turnover. This is income received from activities of a particular

corporation, company, partnership, or sole-proprietorship. For some businesses, such as manufacturing and/or grocery, most revenue is from the sale of goods. Service businesses such as law firms and barber shops receive most of their revenue from rendering services. Lending businesses such as car rentals and banks receive most of their revenue from fees and interest generated by lending assets to other organizations or individuals. Revenues from a business's primary activities are reported as sales, sales revenue or net sales. Other revenue (or non-operating revenue) is revenue from peripheral (non-core) operations.

Expenditure: is an outflow of money to another person or group to pay for an item or service, or for a category of costs. An expense is a cost that is "paid" or "remitted", usually in exchange for something of value. Something that seems to cost a great deal is "expensive".

Stock/Inventories: These comprised the value of all stocks owned by the company and held by or under the control of the establishment. Excluded were materials owned by others but held by the establishment for processing. Stocks acquired from others were valued at 'purchaser's prices'. (Book values were acceptable).

3.2 Basic Characteristics

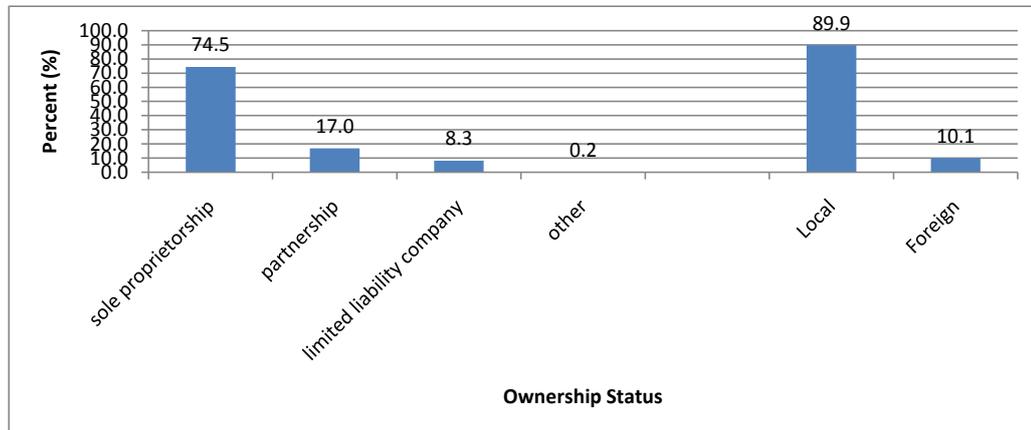
This section presents basic information of establishments obtained in the survey. Such information includes organizational structure, regional distribution, and industrial distribution of businesses operating in the country.

3.2.1 Organizational Structure by Ownership

The survey results were tabulated by industry, ownership and region. Industry responses were placed in ten categories of the industries covered in the Survey. Establishments were also classified by ownership and by the region in which they were located. The survey results showed that the estimated total number of establishment in the ten sectors targeted operating in the country was 9,018.

Figure 3.2.1 below shows the percentage distribution of establishments classified by type of ownership.

Figure 3.2.1: Distribution of Establishments by Ownership



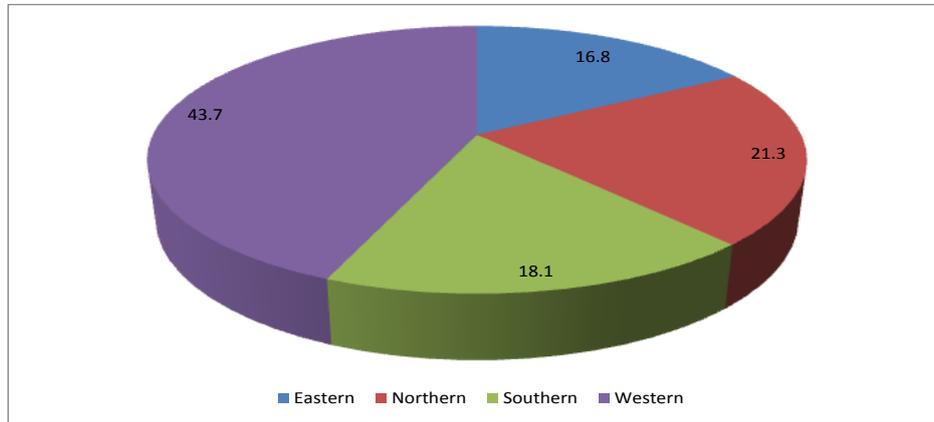
As shown in Figure 3.2.1, there were considerably more Sole Proprietorships (74.5%) than Partnerships (17.0%), Incorporated Companies (8.3 percent) and other (0.2 percent). These results underline the small scale nature of business operations in the country and the informal nature of the economy which may be due to the unavailability of well-established capital market in the country from which large scales capital can be raise to support the formation of incorporated businesses. In terms of residence status, 89.9% of establishments are owned by domestic residents with at least 51 shares (or capital) owned by residents, while only 10.1% of establishments are owned by foreign residents (with at least 51% of the shares or capital). This information is important when estimating foreign direct investment, as much of foreign capital constitutes foreign direct investment (FDI).

3.2.2 Regional Distribution of Establishment

Figure 3.2.2 below shows the regional distribution of the estimated 9018 establishments in the ten sectors surveyed. Based on the survey results, it was estimated that 43.8 percent (about 3,945) of all establishments in the ten sectors surveyed were located in the Western Area compared to 21.3 percent (1,925) in the Northern province, 18.1 percent (1,639) in the Southern Province and 16.8 percent (1,512) in the Eastern Province. With the exception of Western Area which has the highest number of establishments, there were an almost even number of establishments in the ten sectors across the other three regions. The relatively large number of establishments in the Western

Area may be due to the fact that Western Area includes Freetown, the capital city which provides better incentives for business activities.

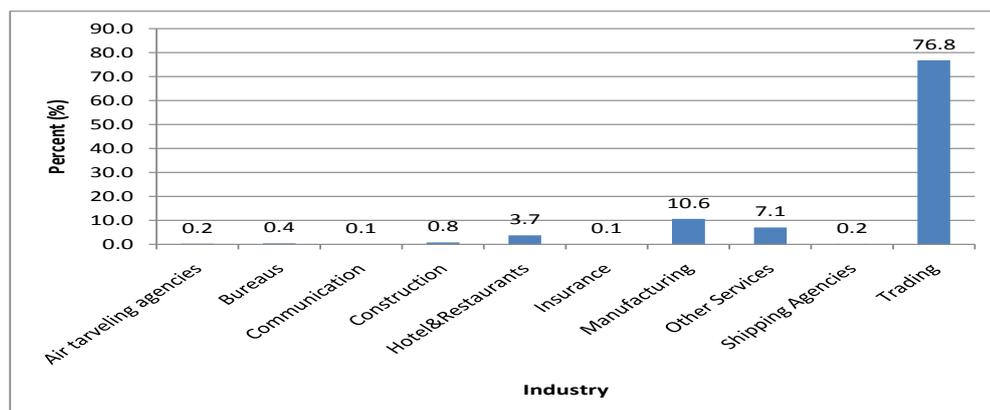
Figure 3.2.2: Distribution of Establishment by Region



3.2.3 Distribution of Establishments by Industry

Figure 3.2.3 below shows the distribution of Establishments by Industry. The result shows that in trade industry, wholesale or retail trade businesses account for the highest percentages (76.8 percent) of business establishments in Sierra Leone. The share of manufacturing and other businesses services establishments was 10.6 percent and 7.1 percent respectively. These results were not different from the previous survey results. The proportion of Manufacturing and Construction type establishments remain relatively small which indicates that investment in Sierra Leone is yet to come up to the level of generating adequate employment opportunities (especially for the youths) in these sectors and improving on the availability of Manufacturing and Construction services which are key to real sector growth.

Figure 3.2.3: Distribution of Establishment by Industry



The high proportion of establishments operating in the trade sector underscores the fact that the Sierra Leone economy is mainly a distributive economy relying mainly on imports for commerce, with devastating consequences on the import bill and hence on the depreciation of the national currency.

3.3 Operating Characteristics

The survey collected information on the operating characteristics of business establishments such as employment, compensation of employees, expenditure and revenue, which are important indicators of business output and performance.

3.3.1 Employment Characteristics

Figure 3.3.1 shows the percentage distribution of employees by Sex and Sector. The data shown in Table 3.3.1 shows that the distribution network of goods and service employed the largest part of the labour force (48.5% of total employees) since out of the 168,858 persons employed in 2011, 119,028 were employed in the Trade Sector. In 2010, out of 139,369 persons employed, 67,576 were employed in the trade sector. In each of the years, the employment figures show strong female participation in trading activities; although the proportion in the Trade Industry dropped from 9.5% in 2010 to 25.3% in 2011; this underscores the critical role of women in meeting the needs of the family in the face of difficulties.

Table 3.3.1 below shows that there was a decline of 7.6% and 30.0% in the air transport and other services sectors respectively for female employment from 2010 to 2011. At the same period, there was an increase of 27.3%, 15.6%, 10.9%, 31.9%, 3.4%, 12.8% and 15.8% in the foreign exchange bureau, communication, hotels & restaurants, insurance, manufacturing, shipping agencies and trading sectors respectively for female employment from 2010 to 2011.

Table 3.3.1: Total Employees by sex and sector for year ending 2011

Sectors	Total Employees		Female Employees		Proportion of Female employees	
	2010	2011	2010	2011	2010	2011
Air Transport	257	297	105	99	40.9	33.3
Foreign Exchange Bureau	189	490	32	217	16.9	44.2
Communication	3462	2510	434	706	12.5	28.1
Construction	4963	6278	409	513	8.2	8.2
Hotels and Restaurants	8838	8223	2622	3342	29.7	40.6
Insurance	1429	940	185	421	12.9	44.8
Manufacturing	17383	24933	1566	3100	9.0	12.4
Other Services	33007	5528	16145	1045	48.9	18.9
Shipping Agencies	2266	633	143	121	6.3	19.1
Trading	67576	119028	6437	30095	9.5	25.3
Total	139,369	168,858	28,078	39,656	20.1	23.5

There was a mixed trend in the movement of total employees from 2010 to 2011. Some of the sectors like communication, hotels & restaurants, insurance, other services and shipping agencies experienced a decline in the total number of employees from 2010 to 2011 while the other sectors experienced an increased number of employees. Similarly, female employment declined in the following sectors: air transport, other services and shipping agencies confirming the mixed movement in employment. Overall, there was a 3.4% increase for female employment in the sectors shown in the table below.

3.3.2 Compensation of Employees (COE)

Compensation of employees (COE) is a term used in national accounts, balance of payments statistics and sometimes in corporate accounts as well. It refers basically to the total gross (pre-tax) wages paid by employers to employees for work done in an accounting period, such as a week, month, quarter or a year. Compensation of employees is accounted for on an accrual basis; i.e., it is measured by the value of the remuneration in cash or in kind which an employee becomes entitled to receive from an employer in respect of work done, during the relevant accounting period - whether paid in advance, simultaneously, or in arrears of the work being done. The COE data is shown in Table 3.3.2.

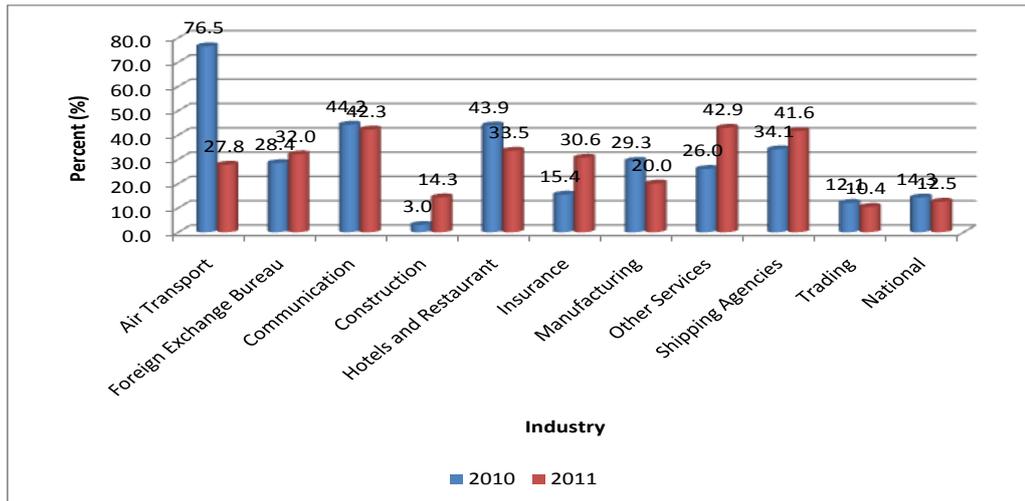
Table 2 below shows that compensation of employees increased for all industries canvassed in the survey from a national total of Le 105557 billion in 2010 to Le 289,620 billion in 2011, indicating a more than doubling of the COE between the two periods. This growth of COE in 2011 reflects the expending nature of the economy in 2011 compared with 2010. Also, the table shows the area covered by the value of compensation of employees out of total expenditure for each sector and this is referred to as the ratio of compensation of employees to expenditure. The ratio of COE to total expenditure grew for all the industries (except for insurance, trading and manufacturing) of AES from 2010 to 2011 which indicates that compensation of employees is occupying a greater share of total expenditure. Another implication of this trend is that Gross Value Added (GVA) for these sectors will increase substantial since it is directly related to compensation of employees.

Table 3.3.2: Compensation of Employees (COE) by Industry (billion Leones)

Sector	Compensation of employees (COE)		Expenditure		COE/Exp Ratio	
	2010	2011	2010	2011	2010	2011
Air Transport	13	1,000	17	3,602	76.5	27.8
Foreign Exchange Bureau	7,900	9,000	27,800	28,094	28.4	32.0
Communication	8,050	17,000	18,200	40,230	44.2	42.3
Construction	923	1,000	30,900	6,975	3.0	14.3
Hotels and Restaurant	2,380	19,000	5,420	56,658	43.9	33.5
Insurance	3,120	3,720	20,200	12,145	15.4	30.6
Manufacturing	10,380	20,000	35,400	100,000	29.3	20.0
Other Services	176	4,000	677	9,320	26.0	42.9
Shipping Agencies	15	900	44	2,164	34.1	41.6
Trading	72,600	214,000	602,000	2,056,000	12.1	10.4
National	105,557	289,620	740,658	2,315,187	14.3	12.5

Table 3.3.2 shows that that the COE was Le 105,557 billion in 2010 and Le 289,620 billion in 2011. In terms of percentage of total expenditures, Air Travel Agencies spent 76.5% (in 2010) and 27.8% (in 2011) of total expenditures on compensation of employees, compared with construction industry which spent 3.0% (in 2010) and 14.3% (in 2011) of expenditures on COE. Overall, 14.3% of expenditure of industries in 2010 was on wages and salaries; and it is clear that the proportion of expenditure spent on COE declined in 2011 to 12.5%, which could suggest wages and salaries are trailing behind increase in other expenses of the business.

Figure 3.3.2: Compensation of Employees (CEO) by Industry (billion Leones)



The data in Figure 3.3.2 show although trade industry has the largest workforce, it has one of the least proportion of COE/Expenditure ratio of 12.1% in 2010 and 10.4% in 2011. This could be an indication of the low level of salaries paid to workers of the trade industry compared to other sectors.

3.3.3 Total Revenue and Total Expenditure

The Annual Economic Survey also collected data on the revenue and expenditure flows of the establishments; and the result is shown in Table 3.3.3.

Table 3.3.3 below shows the survey results on total revenue and expenditure in billion Leones by businesses across the ten industries surveyed. For 2011, total revenue amounted to Le 3,946,386 billion compared to Le 965,203 billion in 2010. There data shows a visible increase in the revenue of more that 200% across industries, which supports the fact the economy recovered in 2011 from the 2009 financial crisis. This shows that the effect of the financial crisis was not strong enough in 2010 to dampen growth prospects.

Table 3.3.3: Total Revenue and Expenditure by Sector (billion Leones)

Sector	Total Revenue		Total Expenditure		Exp/Rev Ratio	
	2010	2011	2010	2011	2010	2011
Air Transport	120	4,899	17	3,602	14.2	73.5
Foreign Exchange Bureau	38,300.00	44,315	27,800.00	28,094	72.6	63.4
Communication	9,800.00	400,000	18,200.00	40,230	185.7	10.1
Construction	25,700.00	17,764	30,900.00	6,975	120.2	39.3
Hotels and Restaurant	3,480.00	200,000	5,420.00	56,658	155.7	28.3
Insurance	17,600.00	88,795	20,200.00	12,145	114.8	13.7
Manufacturing	42,400.00	200,000	35,400.00	100,000	83.5	50.0
Other Services	764	17,430	677	9,320	88.6	53.5
Shipping Agencies	39	3,183	44	2,164	112.8	68.0
Trading	827,000.00	2,970,000	602,000.00	2,056,000	72.8	69.2
National	965,203	3,946,386	740,658	2,315,187	76.7	58.7

Similarly, the data in Table 3.3.3 shows that there was a visible increase in total expenditure of establishments across the industries in 2011. Total expenditure increased from Le 740,659 billion in 2010 to Le 3,946,386 billion in 2011. Table 3.3.3 also shows that communication, construction, Shipping Agencies, hotel & restaurant, insurance and air traveling agencies spent significantly more than the revenue generated for 2010, which essential means that the industries made a loss in 2010. However, in 2011 all establishments spent less than the revenue generated, which means that industries made profit in 2011.

Figure 3.3.3: Total Revenue and Expenditure by Sector (billion Leones)

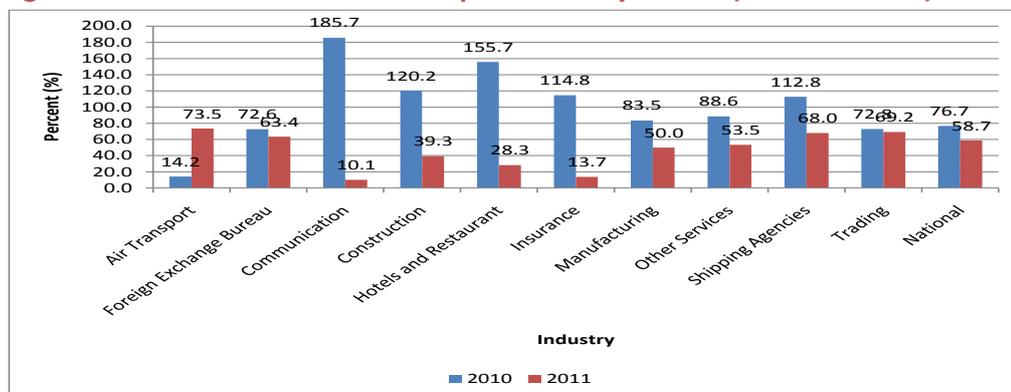


Figure 3.3.3 shows that communication industry spent considerable less in 2011 (10.1%) than in 2010, this is also true for construction, hotel and restaurant, insurance and shipping industries operating in the country.

3.4 Gross Operating Surplus Characteristics

Operating surplus equals gross revenue less operating total expenses incurred during the course of producing the output. The report estimated operating surplus of establishments, and the results are shown in Table 3.4.

Table 3.4: Gross Operating Surplus (billion Leones)

Sector	2010	2011
Air Transport	103	2,476
Foreign Exchange Bureau	10,500	791
Communication	(8,400)	100,000
Construction	(5,200)	15,624
Hotels and Restaurant	(1,940)	148,529
Insurance	(2,600)	77,466
Manufacturing	7,000	119,016
Other Services	87	8,801
Shipping Agencies	(5)	1,387
Trading	225,000	970,000
Total	224,545	1,444,090

Although there was much improvement in the overall operating surplus of the ten sectors from Le 224,545 billion in 2010 to Le 1,444,090 in 2011, the data in Table 3.4 also show that foreign Exchange Bureaus experienced a sharp decline in the amount of operating surplus in 2011. The stabilization (or even the appreciation) of the exchange rate could be the reason why operating surplus decline in 2011.

3.5 Changes in Inventory and Capital Expenditure

Inventories are the value of goods kept in store as stock; this includes the value of unused inputs, the value of unsold goods and the value of work-in-progress. Inventories also include the changes in the value of valuable assets of the business. Change in inventories is estimated as the difference between the closing stock and the opening stock. Capital expenditure, on the other hand, is expenditure on acquiring capital goods—goods used to produce other goods,

which have a lifespan of one or more years. Table 3.5 below shows the value of inventories and capital expenditures of the ten industries surveyed.

Table 3.5: Changes in Inventory and Capital Expenditure (billion Leones)

Industry Code	2011	2011
	Change in Inventory	Capital Expenditure
Air Travelling Agencies	-	3,602
Bureaus (Other Fin. Inst.)	-	894
Communication	-	400,000
Construction	-	6,975
Hotels % & Restaurants	1,881	56,658
Insurance	-	12,145
Manufacturing	10,663	100,000
Other Business Services	-	9,320
Shipping Agencies	-	2,164
Trade	360,930	170,000
Total	373,474	761,757

Table 3.5 shows that a positive net of Le 373,474 billion accounted for as changes inventories in 2011 compared with Le 3,364 billion in 2010. Capital expenditure amount to Le 761,575 billion in 2011; which indicates good signs of increased foreign direct investment in the country

CHAPTER 4: BUSINESS ENVIRONMENT AND INFORMATION COMMUNICATION TECHNOLOGY (ICT)

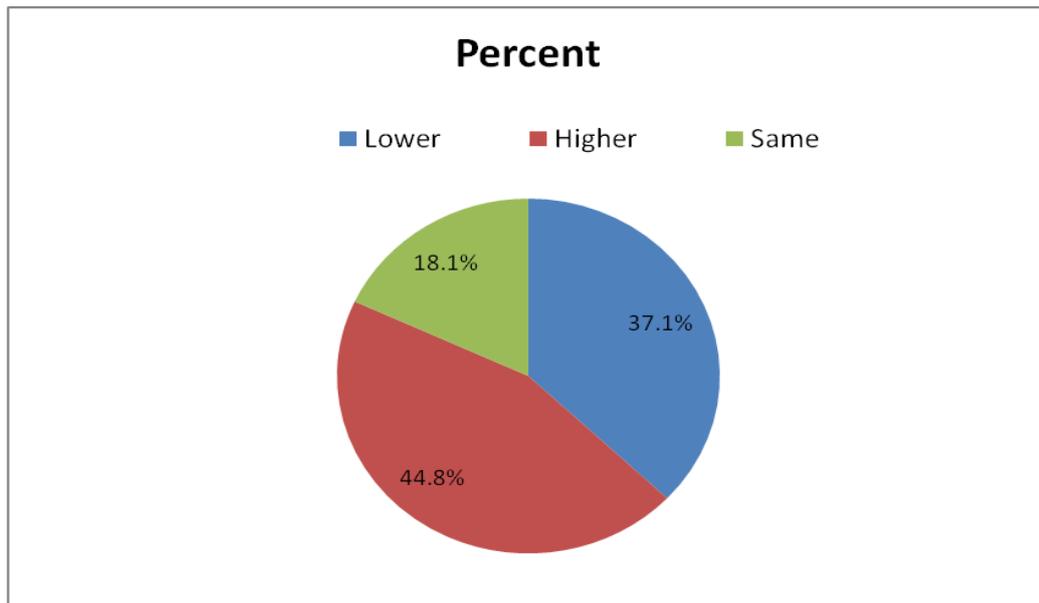
4.0 Introduction

This part of the report will primarily look at the business environment in Sierra Leone whether it is favorable and also provide essential information for both local and foreign investors, donor organization, business researchers and the general public for investment decision making especially for those that intend to go into business. Understanding and responding to the factors influencing investment decisions as well as favorable business climate with available facilities and services is vital for business expansion in any economy, which may subsequently lead to increase in the level of investment and growth, hence private sector development. Information and Communication Technology (ICT) is an increasingly powerful tool for participating in global markets and has attracted increase demand for products of many establishments in recent years. Factors that are responsible for the high or low level of business expansion in the country will be highlighted in this chapter and solutions recommended.

4.1 Demand Situation for Year 2011 Compared with Year 2010

Since the aim of any businessman is to maximize profit, therefore, almost all business establishments would like to increase their market share with a view to improve revenue generation. Hence, demand situation is an important factor that determines a firm's profitability, which in turn determines whether the firm will remain in business or go out of business. The survey seeks to know the opinion of business owners and managers with regards the demand for their products in the current year as compared to the previous year. From the survey result shown in Figure 4.1 below, the demand situation for a number of business establishments in Sierra Leone was encouraging and increased in 2011. About 44.8% of all business establishments in 2011 had higher demand for their products which shows an increase as compared to 34% in 2010. In addition, about 37.1% of business establishments had lower demand for their products in 2011 as compared to 41% in 2010. However, about 18.1% of business owners said that the demand situation for their products in 2011 remain the same which is lower than the 25% in 2010.

Figure 4.1: Pie Chart Showing Percentage of Demand Situation in 2011 Compared with 2010 Nationwide



The increase in the demand for goods and services in 2011 as compare to 2010 could be attributed to both price and exchange rate stability in the economy as well as increase in income earnings which might be due to high level of economic activities

4.1.1 Demand Situation for Year 2011 Compared with Year 2010 by Sector

The demand situation for goods and services in 2011 compared with 2010 is analyzed by sector in order to determine the sectors in which businesses are booming from those sectors in which businesses are slow for policy interventions as well as to assist both local and foreign investors in deciding which sector to invest in the economy. Table 4.1.1 below shows the demand situation in 2011 compared with 2010 by sector of industry.

Table 4.1.1: Percentage distribution of the demand situation in 2011 Compared with 2010 by sector

Sector of Industry	Demand situation in 2011 compared with 2010			Number
	Lower %	Higher %	Same %	
Air traveling Agencies	29.4	41.2	29.4	17
Bureaus	33.3	33.3	33.4	36
Communication	70.0	0.0	30.0	10
Construction	37.1	31.4	31.4	70
Hotels %& Restaurants	38.7	44.0	17.3	336
Insurance	20.0	50.0	30.0	10
Manufacturing	25.4	55.2	19.4	960
Other Business Services	15.6	67.6	16.9	636
Shipping Agencies	50.0	37.5	12.5	16
Trade	40.6	41.6	17.8	6927
Total	37.1	48.8	18.0	9018

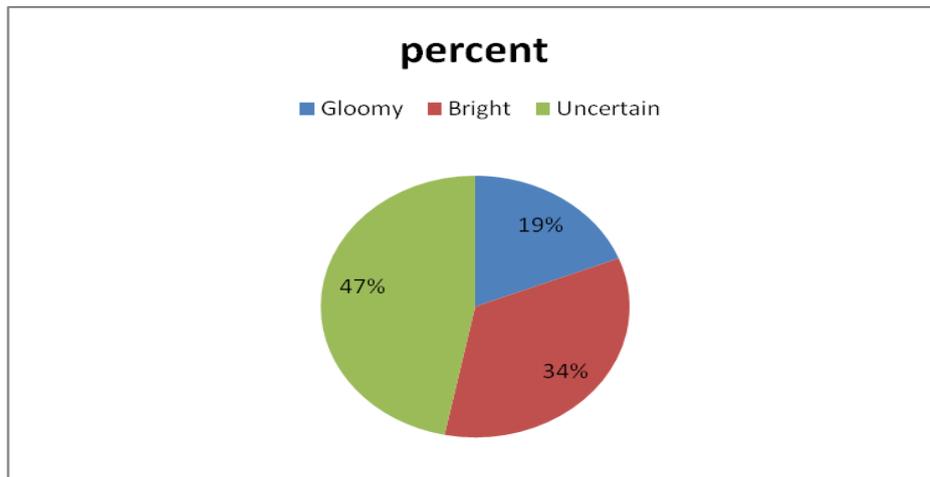
The survey result in Table 4.1.1 above, gives the respondents self-assessment of their demand situation both in number and percentage terms for 2011 compared to 2010. Within industry, establishments in the Manufacturing, Insurance, hotel & Restaurant and other Business Services (55.2%, 50%, 44.0% and 67.6% respectively) all experienced higher demand for their services in 2011 compared to 2010. The increase in demand for services in these sectors could be attributed to the improvement in the supply of electricity, Government tax and Insurance policies, and the Political Stability that prevails in the Country. Other sectors that experienced significant decreases in the demand for their goods and services in 2011 compared with 2010 includes: Communication (70.0%), Shipping Agencies (50.0%) and Trade (40.6%). The lower demand in 2011 as compared to 2010 may be due to new innovations and improvement in the services of other establishments in the communication sector as well as low income earnings and economic conditions prevailing in that period.

4.2 Business Outlook for 2012

The business outlook considered in this study is the respondents' self-assessment of their business growth prospects in terms of increase sales and profitability for 2012, since the aim of every business is profit maximization. Business prospects therefore referred to their forecast for increase sales and profitability. Respondents were asked to rate their prospects as bright, gloomy or uncertain. From the survey result indicated in figure 4.2.1 below, 47% of

business establishments in Sierra Leone were said to be uncertain about their business prospects in 2012, which was lower than 52% in 2010.

Figure 4.2.1: Pie Chart Showing Percentage Distribution of Business outlook for 2012



From Figure 4.2.1 above, about 19% of business establishments rated their prospects as gloomy while 34% said their prospects were bright for 2012, which was higher than 17% for 2011. This means that more business establishments have expressed high confidence over the growth of their businesses in 2012, which could be attributed to the stability in the level of domestic prices, hence low cost of living as well as expectation of improvement in the economic situation in the country. Another reason for the lower degree of uncertainty in 2012 could be that of improvement in electricity supply as well as infrastructural development taking place all over the country, the bases for businesses booming in the economy.

4.2.1 Business Outlook for 2012 by Sector

The study also seeks to know which of the sectors that has more prospects for growth in terms of increase sales and profitability in 2012 than the other sectors. The survey result in Table 4.2.1 below shows the business outlook in 2012 by sector. As indicated in table 4.2.1 below, it can be clearly seen that business establishment in some of the sectors: Trade (80.2%) and Manufacturing (10.7%), said their business outlook was uncertain for 2012. However, there were business establishment in other sectors such as trade (75.8%), other business services (10.7%) and manufacturing (8.4%) that were somehow optimistic about their business prospect in 2012 rating it as bright .

Table 4.2.1: Business Outlook for 2012 by Sector

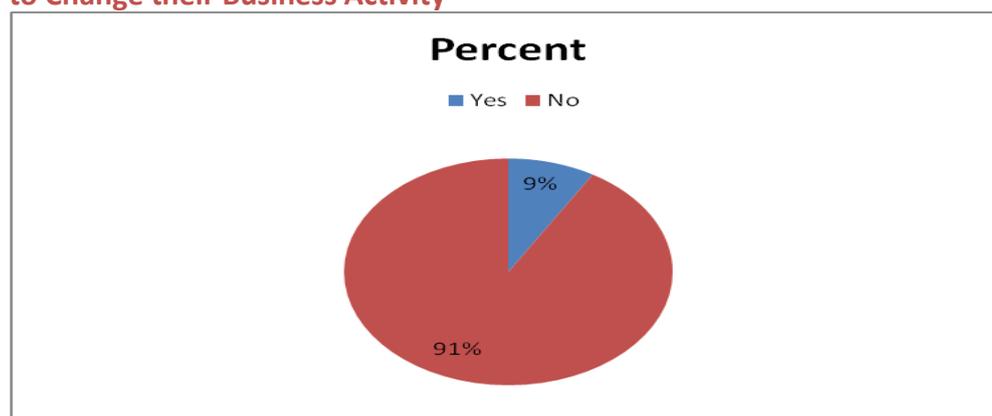
Sector of Industry	Business Outlook for 2012			
	Gloomy %	Bright %	Uncertain %	Total
Air traveling Agencies	0.3	0.2	0.2	17
Bureaus	0.5	0.4	0.4	36
Communication	0.4	0.1	0.0	10
Construction	1.5	0.7	0.5	70
Hotels % & Restaurants	6.0	3.2	3.1	337
Insurance	0.0	0.3	0.0	10
Manufacturing	15.9	8.4	10.7	960
Other Business Services	6.8	10.7	4.7	636
Shipping Agencies	0.3	0.2	0.1	16
Trade	68.2	75.8	80.2	6927
Total	18.9	34.1	47.0	9018

From Table 4.2.1 above, there were business establishments in the manufacturing (15.9%), other business services (6.8%) and Trade (68.2%) etc that were in doubt of their growth prospects in 2012 or where very pessimist about any such prospects.

4.2.2 Change in Business Activity by Sector

It is also important to know whether business people would like to continue doing the same business or would like to engage in another form of business in a different sector. Hence, business establishments' owners and managers were asked whether they were willing to change their current business. As shown in Figure 4.2.2 below, there is a decrease of 1 percentage in the number of business establishments (about 9%) that express their willingness to change their business activities in 2011 compared with 10% in 2010, while majority of the business establishments, about (91%) did not want to change their current line of business.

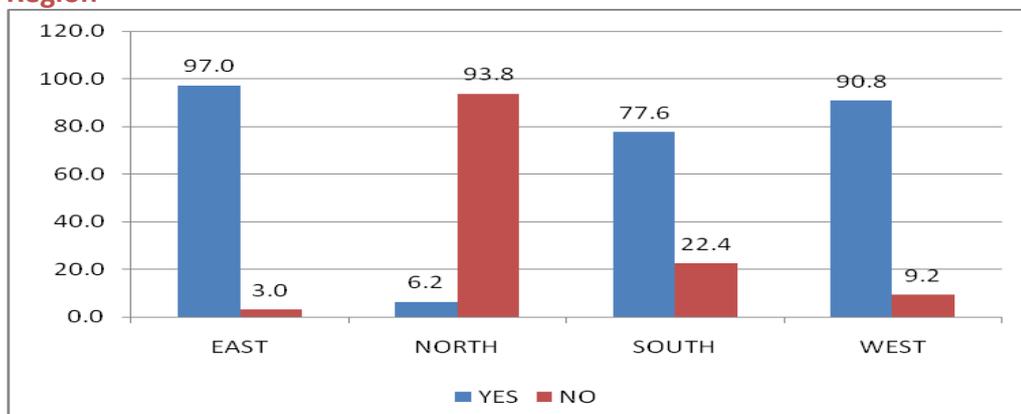
Figure 4.2.2: Pie Chart Showing Proportion of Respondents that Want to Change their Business Activity



4.3 Source of Electricity Supply

The availability of electricity is one of the key factors that determine the setting up of an establishment in most of the industries as it will reduce the cost of production, thereby attracting local and foreign investment into particular sectors of the economy. Hence, this study also considered the business connectivity to public power supply. The connectivity to public power supply of businesses by region is shown in figure 4.3.1 below. The graph clearly shows that Northern region still continue to be the worse region in terms of the availability of public power supply to business establishments and the number of establishments not connected to public power supply has increased significantly in 2011 compared to 2010. The North now has about 93.8% of business establishments not connected to public power supply in 2011, which is higher than the 58.9% in 2010. This means that there are more new businesses established or operating in the north that are not connected to public electricity supply in 2011. All the other three regions: East (97.0%), South (77.6%) and West (90.8%) have a large proportion of business establishments connected to public power supply. Only about 3.0% of business establishments in the East, 9.2% in the West and 22.4% in South are not connected to public power supply. The low percentages of business establishments not having access to electricity in East and Western regions is an indication that there has been an improvement in the generation of electricity by both the BKPS and NPA.

Figure 4.3.1: Distribution of Firms Connected to Public Power System by Region



Average consumption of electricity increased in most regions. At the national level, it increases from 6 hours per day in 2011 to about 8 hours per day in 2012.

Figure 4.3.2: The average number of hours enjoyed by establishments Per day in 2010 compared to 2011 classified by region

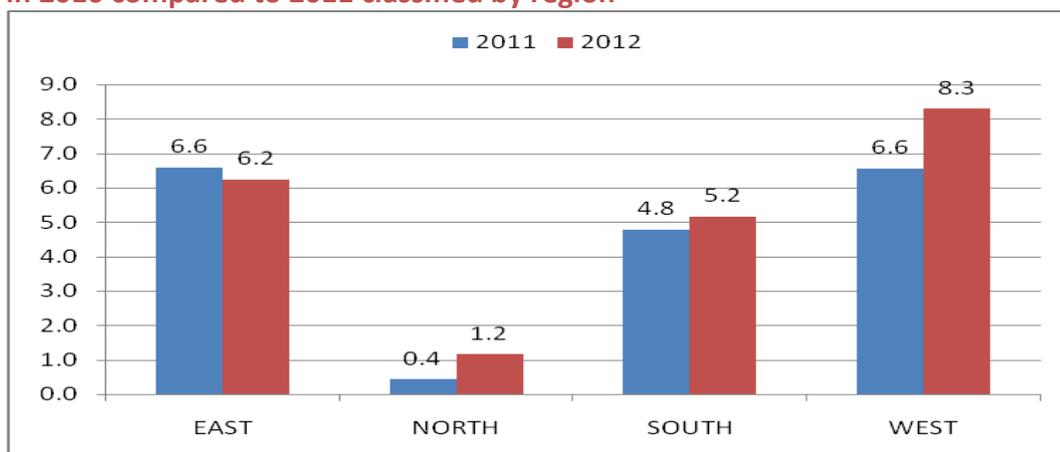


Figure 4.3.2 above shows the Average number of hours that business establishments receive electricity supply by region. There were increases in electricity supplied to business establishments in some of the regions in 2012 compared to 2011: Western area it increases from (6.6 to 8.3) hours per day, South from (4.8 to 5.2) hours, North from (0.4 to 1.2) hours and decrease marginally in the East from (6.6 to 6.2) hours during the same period. This shows that there is an improvement in both the generation and distribution of electricity in the country.

Table 4.3.2: Average Number of Hours Firms Enjoy Electricity by Sector

Sector of Industry	Average no of hours firm enjoys electricity	Average no of hours firm enjoys electricity
	2011	2012
Air Traveling Agencies	3.5	3.3
Bureaus (Other Fin Inst.)	5.3	6.5
Communication	7.7	6.8
Construction	1.2	2.3
Hotels % & Restaurants	5.5	7.2
Insurance	6.0	6.7
Manufacturing	3.4	4.4
Other Business Services	7.9	8.6
Shipping Agencies	4.5	5.3
Trade	4.9	5.8
Total	4.9	5.9

Table 4.3.2 above shows further analysis of the average number of hours business establishments receive electricity supply by sector. It is clear from table 4.3.2 that business establishments in all the sectors receive increase in electricity

supply in 2012 compared with 2011 except for Air traveling Agencies and Communication that recorded an average decrease from 3.5 hours to 3.3 hrs and from 7.7 hours to 6.8 hours in 2011 to 2012 respectively. Construction and Air traveling Agencies are the sectors that received the lowest number of hours increase in electricity supply in 2012 compared to the other sectors. Other business services sector received the highest number of hours of electricity supply per day (8.6 hours), followed by Hotel & Restaurant (7.2 hours) and Communication sector (6.8 hours). Even though there is improvement in the electricity supply in almost all the sectors in 2012, yet none of the sectors receive up to 9 hours of electricity supply per day in 2012. The increase in the electricity supply enjoyed by establishments in most of the sectors may be as a result of the government identifying energy as a constraint to development, hence implement programs in order to ensure a stable supply of electricity in the country.

Figure 4.3.3: Adequacy of the hours of electricity supplied

The survey asked whether or not the hours of electricity supplied by the national grid were adequate for business operations; the results are shown in Figure 3.3.3.

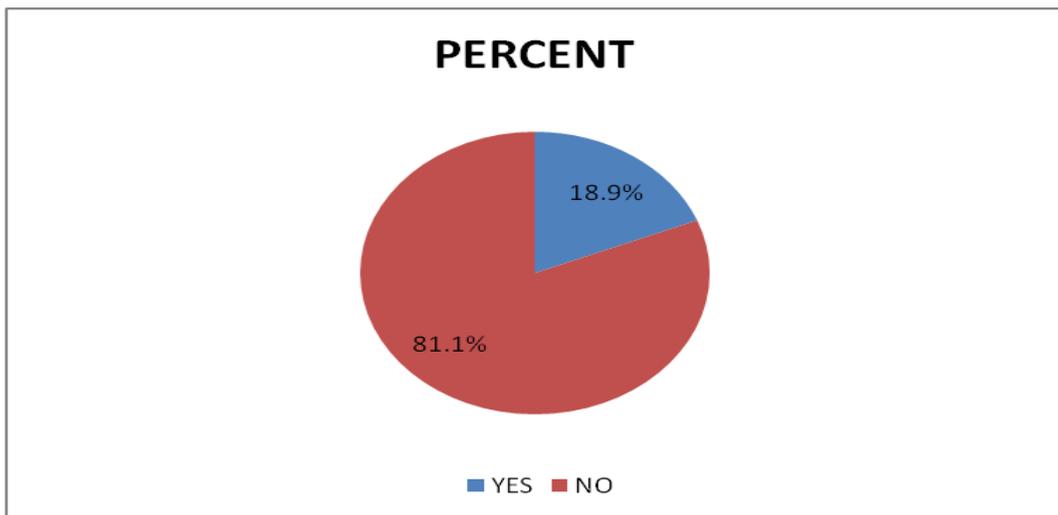


Figure 4.3.3 above shows that only 18.9% of respondents agreed that the hours of electricity received from the national grid were adequate, while about 81.1% of the respondents said that electricity supply in 2011 was inadequate, compared to 78% in 2010. Since more business establishments have reported about the inadequacy of electricity supply in 2011, it therefore means that there is still a problem with the distribution of electricity rather than the generation of

electricity. The results underline the fact that even though there is an improvement in the electricity supplied in the country, yet the amount of electricity provided was considered inadequate for commercially viable business operations. This can constraint economic growth and development in the country by reducing output, especially in the manufacturing sector. There is still a lot of complaints about the erratic nature of the power supply among business establishment owners.

Table 4.3.3: Desired hours of electricity by sector

The survey asked business people about the desired hours of electricity to carry out their business operations; the results are shown in Table 4.3.3.

Industry	Average (hrs)	Maximum (hrs)
Air Traveling Agencies	5	24
Bureaus (Other Fin. Inst.)	11	24
Communication	19	24
Construction	9	24
Hotels % & Restaurants	13	24
Insurance	6	24
Manufacturing	8	24
Other Business Services	6	24
Shipping Agencies	9	24
Trade	9	24
Total	9	24

Table 3.3.3 shows that business people desired on average 9 hours of electricity to carry out their operations, although 24 hours is the most desirable. By industry, Communication (19 hours), Hotel & Restaurant (13 hours) and Bureaus (11 hours) have the highest number of desired hours of electricity for their business operations. It is surprising to note that the average number of desired hours of electricity by business establishment has dropped from 13 hours in 2010 to 9 hours in 2011.

4.4 Communication

Information about the use of Public (Fixed Line) Phone and Mobile Phone as important tools of communication for business establishments was also investigated in this study. The use of telephones especially mobile phones has helped most business establishments to increase their market size thereby increasing the volume of sales for their products, which in turn will lead to

increase in total revenue. When asked about the use of the Public Phone, out of 9018 businesses, about 18.3% of the respondents said they use telephone landlines in their business communications in 2011, compared to 34.2% in 2010, which means that more business people are moving away from using landline in business communication. Furthermore, a significant percentage of business establishments about 81.3% said they do not use any landlines. Further analysis by region shows that Western region has the highest percentage of business establishments (91.3%) that uses telephone landlines in their business communication compared with other regions. Table 4.4 below shows the proportion of establishments that use land phones compared to mobile phones classified by region. Mobile phone use is more common in all regions than the use of landlines for business communication. About 97.3% of respondents said they use mobile phones for business communication in 2011, which was higher than 98.8% in 2010. However, about 3.0% of business establishments in the country reported that they do not use mobile phone at all for business communication. There were various reasons given by businesses for their use of the mobile phone. The main reason advanced for the widely use of the mobile phone among others includes: the availability, reliability and convenience of mobile phone than regular phone (Landlines).

Table 4.4: Proportion of Establishments that use Land Phones Compared to Mobile Phones

Region	Use Public Telephone		Use Mobile Phone		Number of Establishments
	Yes	No	Yes	No	
Eastern	2.5	21.9	18.8	3.4	1650
Northern	1.3	25.1	20.9	12.3	1862
Southern	5.1	22.2	18.6	32.1	1714
Western	91.3	30.8	41.7	52.2	3792
Total	1686	7331	8750	268	9018

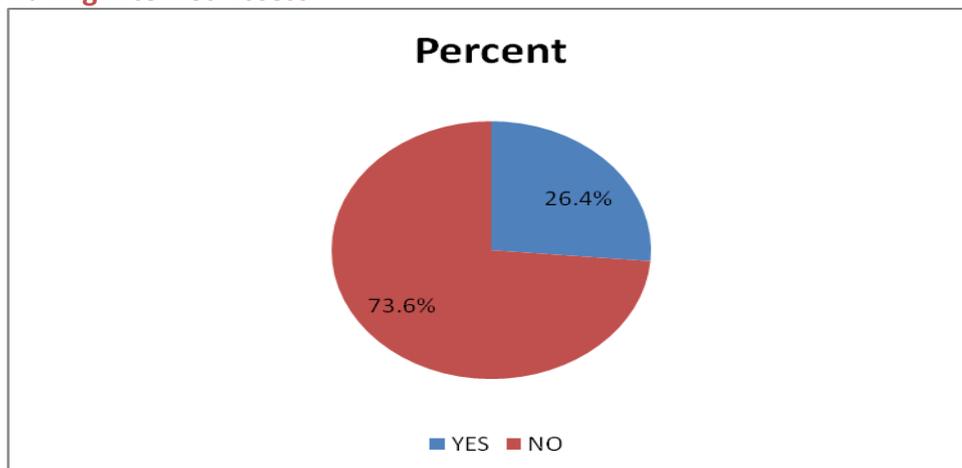
4.5 Access and Use of Internet Facilities

In a modernized competitive business environment, access to the Internet and its use is essential especially in the area of research & development through which innovations and other important information about similar products and establishments within the same industry will be obtained.

Most business establishments all over the world now engages in advertisement and sale of their products through the internet as a way of increasing their market size, hence profit margin. It is therefore the most widely acceptable way of transacting business in most countries in the world.

From the survey result in Figure 4.5 below, there has been an decrease in the number of business establishments (26.4%) that have access and uses internet in 2011 compared to 34% in 2010. In addition, a good number of business establishments about 73.6% do not have access to internet in 2011, which is higher than 66% in 2010 that do not use internet for their business operations. The drop in the number of business establishments using internet for their operations could be attributed to either difficulties in the connectivity or cost of the internet itself. It could also be due to the constant power cut in some areas where businesses are located.

Figure 4.5: Pie Chart Showing Percentage Distributions of Firms Having Internet Access



The use of internet was further analyzed by region and the results are shown in table 4.5.1

Table 4.5.1: Business Access to Internet Classified By Region

Region	Have Access to Internet	No Access to Internet	No
Eastern	16.4	19.1	1885
Northern	1.1	27.7	1584
Southern	7.3	23.2	1784
Western	75.7	30.0	3765
Total	2378	6640	9018

As shown in table 4.5.1 above, the use of the Internet for business operations has increase in some regions, while for other regions it has decreased but still highly concentrated in the western region. At national level, business establishments' access and use of internet has reduced from 34.4% in 2010 to 26.4% in 2011. The number of business establishments that had access to internet in the East and South regions had increase to 16.4% and 7.3% respectively in 2011, compared with 14.2% and 3.7% respectively in 2010; While it has decreased in the North and West regions to 1.1% and 75.7% respectively in 2011, compared with 3.4% and 78.7% respectively in the North and West regions in 2010. However, it is obvious that majority of the business establishments that have access to internet are concentrated in the western area and the lowest are in the Northern region. Although it has dropped, but the reason for the large number of business establishments that have access to internet facility in the western region could be attributed to the network coverage, availability of other facilities such as electricity as well as the large businesses in terms of size and capital concentrated in the Western region.

Further analysis of having access to internet facility by industry (see table 4.5.2 below) still shows that Trade sectors have the highest Internet access of 83.7% in 2011, which is higher than 79.3% in 2010, followed by Manufacturing (5.4%), Hotels & Restaurants (3.6%) while very few of the businesses in the other sectors had access to Internet. Overall, the number of business establishment with no access to internet has increased from 65.6% in 2010 to 73.6% in 2011. This means that internet service provider (ISP) should improve on their network coverage and connectivity issues.

Table 4.5.2: Distribution of Business access to Internet by Sector

Industry	Have Access to Internet	No Access to Internet	No
Air Transportation	0.6	0.1	18
Bureau	1.0	0.2	35
Communication	0.4	0.2	10
Construction	1.4	0.6	71
Hotels and Restaurants	3.6	3.8	337
Insurance	0.4	0.0	10
Manufacturing	5.4	12.3	960
Other Business Services	3.5	8.1	636
Shipping agencies	0.4	0.1	15
Trade	83.7	74.3	6927
Total	2378	6640	9018

4.6 The First Main Use of Internet by Businesses

Business owners and managers were asked to give the main reason for which they use Internet in their establishments. Table 4.6.1 below shows the various ways in which business establishments' uses internet facility.

Table 4.6.1: The First Main Use of Internet by Businesses

	East	North	South	West	Total
E-mail	17.2	0.4	7.8	74.7	80.9
E-learning (learning over the Internet)	46.8	1.3	44.2	7.7	1.9
E-commerce (buying or selling or enquiring over the internet)	0.0	0.0	0.0	100	9.2
Advertising	0.0	2.6	0.0	97.4	0.2
Research	0.0	0.0	0.0	100	6.7
Other Internet Services	0.0	0.0	0.0	100	1.1
Number	452	13	241	1656	2362

From the survey result in table 4.6.1 above, the main reason giving by majority of the business establishments for the use of internet facility in 2011 is the same as in 2010, which is to communicate by e-mail. Although, there were increases in the number of establishments that uses internet for e-mail in the East and South regions from 14.0% and 4.4% respectively in 2010 to 17.2% and 7.8% respectively in 2011, but North and West regions experience a decrease in the number of business establishments that uses internet for e-mail from 4.2% and 77.3% respectively in 2010 to 0.4% and 74.7% respectively in 2011. There were also increases in the number of business establishments that uses internet for e-learning in all the regions except Western region. Almost all the business establishment that uses internet for E-commerce, research and other internet services are concentrated in the western area.

4.7 Average Number of Computers by Industry

The survey asked questions about the use of computers-desktops and Laptops in the business place. The computers were only counted if they were in working condition. The results are shown in Table 4.7.1.

Table 4.7.1: Average Number of Computers by Industry

Industry	Desktop	Laptop
Air Transportation	3	2
Bureau	2	4
Communication	61	33
Construction	3	2
Hotels and Restaurants	1	1
Insurance	47	20
Manufacturing	1	1
Other Business Services	1	1
Shipping Agencies	5	3
Trade	1	1
Total	1	1

The survey results in table 4.7.1 above show that communication and insurance industries are the major users of computers in 2011, similar to 2010. The average number of both desktop and laptop computers business establishment uses has increase for most industries. Desktop and laptops computers uses increased from an average of 28 and 11 respectively in 2010 to 47 and 20 respectively in 2011 for the insurance industry, whereas for the communication industry the average number of laptop computer used increases from 28 to 33 in 2010 to 2011 respectively, but average number of desktop computer used decreases marginally from 62 to 61 in 2010 to 2011 respectively. It is important that business establishments improve on the use of computers in doing business transaction for record keeping purposes and easy access to information, which is characterized with most business establishments in the formal sector.

APPENDIX - GDP ESTIMATE

Gross Domestic Product at Current Prices (in Millions Leones) By Sector

	2008	2009	2010	2011	2012
Agriculture, Forestry and Fishing	4,007,950	4,591,100	5,429,597	6,986,660	8,355,508
Crops	2,669,483	3,133,423	3,508,077	4,349,157	5,020,506
o/w: Rice	1,166,414	1,451,411	1,607,426	2,028,262	2,164,606
Livestock	185,182	204,849	294,397	373,838	463,642
Forestry	522,114	611,512	705,201	975,152	1,253,047
Fishery	631,171	641,315	921,922	1,288,514	1,618,313
Industry	585,221	543,946	798,027	1,007,125	2,400,955
Mining and Quarrying	265,961	240,340	410,642	528,777	1,831,856
o/w: Diamond	183,339	165,275	281,067	336,055	437,296
o/w: Iron Ore				29,933	1,129,025
Manufacturing and Handicrafts	182,041	176,800	223,299	288,488	333,088
Electricity	8,558	9,272	12,484	16,196	16,910
Water	8,354	8,240	11,960	14,040	20,895
Construction	120,307	109,294	139,643	159,623	198,207
Services	2,622,216	2,874,672	3,616,772	4,468,891	5,306,933
Trade and Tourism	655,359	738,286	941,678	1,208,716	1,447,498
o/w: Hotel and Restaurant	29,125	28,996	36,485	49,335	67,594
Transport	268,643	298,256	329,473	389,236	418,871
Communication	205,266	230,186	256,953	299,218	314,964
Finance, Insurance and Real Estate	359,467	384,955	479,134	583,534	682,989
o/w: Banking	113,506	137,786	171,506	207,396	245,476
Administration of Public Services	259,292	292,214	421,261	582,853	769,151
Other Services	303,499	339,721	410,018	497,825	580,479
Education	214,918	203,609	237,666	290,722	350,979
Health	257,441	273,170	437,171	479,580	538,252
NPISH	98,331	114,276	103,417	137,208	203,748
FISIM (less)	102,208	121,928	152,963	186,728	223,492
Gross Value Added at Basic Prices	7,113,179	7,887,790	9,691,433	12,275,948	15,839,904
Taxes less Subsidies on Products	357,365	420,503	564,711	478,940	607,489
Gross Domestic Product at Market Prices	7,470,544	8,308,293	10,256,144	12,754,889	16,447,393

Gross Domestic Product at Constant 2006 Prices (in Millions Leones) By Sector

	2008	2009	2010	2011	2012
Agriculture, Forestry and Fishing	3,392,883	3,529,327	3,653,451	3,832,146	3,979,557
Crops	2,336,546	2,451,859	2,544,441	2,691,979	2,808,057
o/w: Rice	953,516	1,007,513	1,045,245	1,123,389	1,178,718
Livestock	143,789	147,101	153,977	160,597	167,487
Forestry	392,908	403,850	418,555	429,757	444,278
Fishery	519,641	526,517	536,477	549,813	559,735
Industry	528,898	503,532	565,503	622,980	1,417,878
Mining and Quarrying	221,306	219,408	253,777	258,299	1,025,514
o/w: Diamond	146,184	153,590	167,757	143,835	190,629
o/w: Iron Ore	..	..	..	13,216	736,330
Manufacturing and Handicrafts	150,232	140,007	152,740	175,615	182,676
Electricity	35,944	31,897	32,777	34,933	37,058
Water	7,740	7,942	8,156	7,607	7,854
Construction	113,676	104,277	118,054	146,526	164,777
Services	2,194,730	2,283,919	2,436,661	2,596,276	2,749,990
Trade and Tourism	513,582	531,084	576,332	624,078	654,216
o/w: hotel and Restaurants	25,150	24,721	27,648	30,840	33,506
Transport	274,426	297,247	307,658	325,893	348,212
Communication	209,685	229,407	239,940	250,524	261,833
Finance, Insurance and Real Estate	280,373	295,394	307,612	317,007	329,770
o/w: Banking	88,529	98,366	103,958	106,122	110,420
Administration of Public Services	202,236	208,612	255,348	298,237	345,981
Other Services	236,715	242,528	248,533	254,730	261,112
Education	213,668	200,534	210,739	224,941	234,283
Health	181,098	187,053	196,064	202,295	210,489
NPISH	82,948	92,060	94,435	98,571	104,093
FISIM (less)	79,717	87,044	92,719	95,546	100,531
Gross Value Added at Basic Prices	6,036,795	6,229,733	6,562,896	6,955,855	8,046,894
Taxes less Subsidies on Products	319,750	329,969	347,616	367,729	387,217
Gross Domestic Product at Market Prices	6,356,545	6,559,702	6,910,511	7,323,584	8,434,111

Real Gross Domestic Product Growth Rates (%) By Sectors

	2008	2009	2010	2011	2012
Agriculture, Forestry and Fishing	6.7	4.0	3.5	4.9	3.8
Crops	8.7	4.9	3.8	5.8	4.3
o/w: Rice	6.9	5.7	3.7	7.5	4.9
Livestock	2.8	2.3	4.7	4.3	4.3
Forestry	3.8	2.8	3.6	2.7	3.4
Fishery	1.5	1.3	1.9	2.5	1.8
Industry	-10.6	-4.8	12.3	10.2	127.6
Mining and Quarrying	-30.3	-0.9	15.7	1.8	297.0
o/w: Diamond	-36.8	5.1	9.2	-14.3	32.5
o/w: Iron ore	..	..	..	..	5471.4
Manufacturing and Handicrafts	1.5	-6.8	9.1	15.0	4.0
Electricity	330.0	-11.3	2.8	6.6	6.1
Water	13.5	2.6	2.7	-6.7	3.2
Construction	2.8	-8.3	13.2	24.1	12.5
Services	8.2	4.1	6.7	6.6	5.9
Trade and Tourism	1.8	3.4	8.5	8.3	4.8
o/w: Hotel and Restaurants	-0.6	-1.7	11.8	11.5	8.6
Transport	23.9	8.3	3.5	5.9	6.8
Communication	24.8	9.4	4.6	4.4	4.5
Finance, Insurance and Real Estate	-3.0	5.4	4.1	3.1	4.0
o/w: Banking	-2.1	11.1	5.7	2.1	4.1
Administration of Public Services	-12.6	3.2	22.4	16.8	16.0
Other Services	2.4	2.5	2.5	2.5	2.5
Education	56.0	-6.1	5.1	6.7	4.2
Health	3.3	3.3	4.8	3.2	4.1
NPISH	16.2	11.0	2.6	4.4	5.6
FISIM	9.4	9.2	6.5	3.0	5.2
Gross Value Added at Basic Prices	5.4	3.2	5.3	6.0	15.7
Taxes less Subsidies on Products	5.4	3.2	5.3	5.8	5.3
Gross Domestic Product at Market Prices	5.4	3.2	5.3	6.0	15.2

Gross Domestic Product Deflators by Sectors

	2008	2009	2010	2011	2012
Agriculture, Forestry and Fishing	118.1	130.1	148.6	182.3	210.0
Crops	114.2	127.8	137.9	161.6	178.8
o/w: Rice	122.3	144.1	153.8	180.5	183.6
Livestock	128.8	139.3	191.2	232.8	276.8
Forestry	132.9	151.4	168.5	226.9	282.0
Fishery	121.5	121.8	171.8	234.4	289.1
Industry	110.6	108.0	141.1	161.7	169.3
Mining and Quarrying	120.2	109.5	161.8	204.7	178.6
o/w: Diamond	125.4	107.6	167.5	233.6	229.4
o/w: Iron ore				226.5	153.3
Manufacturing and Handicrafts	121.2	126.3	146.2	164.3	182.3
Electricity	23.8	29.1	38.1	46.4	45.6
Water	107.9	103.8	146.6	184.6	266.1
Construction	105.8	104.8	118.3	108.9	120.3
Services	119.5	125.9	148.4	172.1	193.0
Trade and Tourism	127.6	139.0	163.4	193.7	221.3
o/w: Hotel and Restaurants	115.8	117.3	132.0	160.0	201.7
Transport	97.9	100.3	107.1	119.4	120.3
Communication	97.9	100.3	107.1	119.4	120.3
Finance, Insurance and Real Estate	128.2	130.3	155.8	184.1	207.1
o/w: Banking	128.2	140.1	165.0	195.4	222.3
Administration of Public Services	128.2	140.1	165.0	195.4	222.3
Other Services	128.2	140.1	165.0	195.4	222.3
Education	100.6	101.5	112.8	129.2	149.8
Health	142.2	146.0	223.0	237.1	255.7
NPISH	118.5	124.1	109.5	139.2	195.7
FISIM	128.2	140.1	165.0	195.4	222.3
Gross Value Added at Basic Prices (1+2+3-4)	117.8	126.6	147.7	176.5	196.8
Taxes less Subsidies on Products	111.8	127.4	162.5	130.2	156.9
Gross Domestic Product at Market Prices (5+6)	117.5	126.7	148.4	174.2	195.0
AVERAGE PRICE CHANGE BY DEFLATOR	10.0	7.8	17.2	17.3	12.0

Percentages of Contributions to Gross Domestic Product by Sectors

	2008	2009	2010	2011	2012
Agriculture, Forestry and Fishing	53.4	53.8	52.9	52.3	47.2
Crops	36.8	37.4	36.8	36.8	33.3
o/w: Rice	15.0	15.4	15.1	15.3	14.0
Livestock	2.3	2.2	2.2	2.2	2.0
Forestry	6.2	6.2	6.1	5.9	5.3
Fishery	8.2	8.0	7.8	7.5	6.6
Industry	8.3	7.7	8.2	8.5	16.8
Mining and Quarrying	3.5	3.3	3.7	3.5	12.2
o/w: Diamond	2.3	2.3	2.4	2.0	2.3
o/w: Iron ore	..	..	..	0.2	8.7
Manufacturing and Handicrafts	2.4	2.1	2.2	2.4	2.2
Electricity	0.6	0.5	0.5	0.5	0.4
Water	0.1	0.1	0.1	0.1	0.1
Construction	1.8	1.6	1.7	2.0	2.0
Services	34.5	34.8	35.3	35.5	32.6
Trade and Tourism	8.1	8.1	8.3	8.5	7.8
o/w: Hotel and Restaurants	0.4	0.4	0.4	0.4	0.4
Transport	4.3	4.5	4.5	4.4	4.1
Communication	3.3	3.5	3.5	3.4	3.1
Finance, Insurance and Real Estate	4.4	4.5	4.5	4.3	3.9
o/w: Banking	1.4	1.5	1.5	1.4	1.3
Administration of Public Services	3.2	3.2	3.7	4.1	4.1
Other Services	3.7	3.7	3.6	3.5	3.1
Education	3.4	3.1	3.0	3.1	2.8
Health	2.8	2.9	2.8	2.8	2.5
NPISH	1.3	1.4	1.4	1.3	1.2
FISIM	1.3	1.3	1.3	1.3	1.2
Gross Value Added at Basic Prices	95.0	95.0	95.0	95.0	95.4
Taxes less Subsidies on Products	5.0	5.0	5.0	5.0	4.6
Gross Domestic Product at Market Prices	100.0	100.0	100.0	100.0	100.0

Expenditure-GDP Current Prices

Sector	2008	2009	2010	2011	2012
Final Consumption Expenditure	7,666,107	8,677,463	8,881,512	12,452,264	14,533,250
Households	6,772,296	7,617,290	7,627,678	10,935,546	12,534,248
NPISH	172,678	186,737	187,280	227,582	305,946
Government	721,134	873,436	1,066,555	1,289,136	1,693,056
o/w: Collective	529,714	672,883	838,391	1,004,064	1,348,861
Gross Capital Formation	713,923	830,263	3,188,606	5,365,832	4,377,012
Gross Fixed Capital Formation	684,423	799,404	3,150,330	5,315,874	4,083,976
Changes in Inventories	29,500	30,859	38,276	49,958	293,036
o/w: Govt. GCF	281,979	311,385	886,373	1,992,870	1,390,584
Export of Goods and Services	1,009,892	1,121,567	1,722,427	2,081,748	4,588,709
Export of Goods	826,824	924,546	1,483,627	1,795,189	4,244,838
Export of Services	183,068	197,020	238,800	286,560	343,872
Import of Goods and Services	1,919,379	2,320,999	3,536,401	7,144,955	7,051,578
Import of Goods	1,545,417	1,906,351	2,965,252	6,391,039	6,071,487
Import of Services	373,962	414,647	571,149	753,916	980,091
GDP at Market Prices	7,470,544	8,308,293	10,256,144	12,754,889	16,447,393

Expenditure-GDP at 2006 Prices

Sector	2008	2009	2010	2011	2012
Final Consumption Expenditure	6,350,009	6,840,085	6,081,475	7,338,608	8,057,771
Households	5,661,418	6,076,539	5,291,372	6,529,076	7,137,900
NPISH	126,140	139,997	143,609	149,899	158,297
Government	562,450	623,548	646,495	659,633	761,574
o/w: Collective	413,152	480,373	508,193	513,765	606,748
Gross Capital Formation	605,612	657,281	2,178,865	3,089,144	2,384,817
Gross Fixed Capital Formation	581,112	633,446	2,153,160	3,060,651	2,202,705
Changes in Inventories	24,500	23,835	25,705	28,493	182,112
o/w: Govt. GCF	239,199	246,509	605,684	1,147,308	757,661
Export of Goods and Services	800,781	864,789	1,028,874	1,014,437	2,215,109
Export of Goods	645,198	709,003	866,613	851,961	2,040,284
Export of Services	155,583	155,786	162,261	162,476	174,825
Import of Goods and Services	1,399,857	1,802,452	2,378,703	4,118,604	4,223,586
Import of Goods	1,108,185	1,506,435	2,032,500	3,732,837	3,767,679
Import of Services	291,672	296,017	346,203	385,768	455,907
GDP at Market Prices	6,356,545	6,559,702	6,910,511	7,323,584	8,434,111