Statistics Sierra Leone

2010 Annual Economic Survey

Economic Statistics Division

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Statistics Sierra Leone

2010 Annual Economic Survey

Economic Statistics Division

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ACKNOWLEDGEMENT

This report is another milestone in the effort of Statistics Sierra Leone to provide quality and timely information for the management of the Sierra Leone economy. It contains useful information for policy-makers, investors and the general public.

Under my supervision, a team of hardworking and dedicated staff of SSL put this report together from the designing of the survey instrument to the finalization of this report. SSL Management therefore acknowledges the immense contribution, which the following staff made towards the compilation of this report: Abu Bakarr Turay, Officer-in-Charge, Economic Statistics Division (who provided the technical guidance and survey design); Jinah Jusu Ngobeh, Head, Business and Industry Statistics Section; Samuel Turay; Head, Price and Labour Statistics Section and Francis N. Brewah; Head, Foreign Trade Statistics Section and other Assistant Statisticians.

We also acknowledge the great work of the team of Supervisors, Enumerators, Coders and Data Entry Staff who, in no small way, contributed to the success of this survey.

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Furthermore, we are very much appreciative of the patience and courage of the respondents in providing pertinent business information required by the survey staff.

Finally, we are very grateful to the Government of Sierra Leone for funding the exercise.

Mohamed King-Koroma
Acting 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 of all Economic activities Revision 3.1
SNA93	System of National Accounts 1993
SSL	Statistics Sierra Leone
HRS	Hours

EXECUTIVE SUMMARY

The 2011 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 2010. The survey provided information used to estimate the Gross Domestic Product (GDP) and other economic aggregates for 2010 and projection for 2011. 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 not normally reported in the National Accounts but 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, 446 establishments were statistically selected for the survey. The survey covered 74 larger establishments, and 372 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 2011, it sought to obtain information about the 2010 fiscal year, with projections for 2011.

The 2011 Survey targeted 446 establishments; of this number of establishments, 61% were in Freetown alone. Out of the 446 establishments targeted, 352 (78.9%) establishments were successfully interviewed. The non-responses (21.1%) 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 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.

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.

Figure 3.3.1shows the percentage distribution of employees by Sex and Sector. The data shown in Table 3.3.1 showed that the distribution network of goods and service employed the largest part of the labor force (80.4 % of total employees) since out of the 288188 persons employed in 2008, 231725 were employed in the Trade Sector. In 2009, out of 129362 persons employed, 71, 555 were employed in the trade sector. In each of the years, the employment figures show strong female participation in trading activities; although the figures were lower for 2009 due to the impact of the financial crisis. In 2008, the participation of females in trading was 11.9%; while in 2009 it was 14.7%

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 10.60 and 7.10 percents 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 labor force (80.4% of total employees), with females playing a major role in the trade sector which is mainly informal. In 2008, the participation of females in trading was 11.9%; while in 2009 it was 14.7%. In 2008, The percentage of females is greater in insurance industry (33.2%) and in hotel & restaurants (31.6%) of the total empoyees in those industries. However in the shipping industry, the percentage of female employees fell from 25.3% in 2008 to 5.3% in 2009; which could be attributed to the financial crisis which affected the world demand and production since 2008.

- 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 2009 compared with 2008. Within industry, establishments in the Communication, construction and manufacturing sectors (90%, 46.5% and 40.6% respectively) all experienced higher demand for their services in 2009 compared to 2008. The increase in demand for services in these sectors is due to wider network coverage by telephone companies, Internet service providers (ISP) as well as the massive road construction projects embarked upon by the government nationwide. Other sectors that experienced significant decreases in the demand for their goods and services in 2009 compared with 2008 includes shipping agencies (21.4%), Insurance (60.0%).The decrease in demand in 2009 as compared to 2008 may be due to the increase in import taxes and prices of most goods and services as a result of the global financial crises which affected transactions in almost every sector of the economy.

- When asked about the use of the Public Phone, out of 9018 businesses, only 19.9% of the respondents said they use telephone landlines in their business communications; whereas 84.4% of respondents use mobile phones for business communication. Only 5.8 % of business establishments in the country reported that they do not use mobile phone at all for business communication. However, Only 26% of the businesses said they have access to internet

- Although majority of the establishments (apart from the Northern Region) are connected to the national electricity grid, 64.5% of respondents are not satisfied with the hours of electricity being provided, which underlines the gap between what NPA is able to supply and demand for electricity as a business input.

CHAPTER 1: INTRODUCTION

1.0 Introduction

Sierra Leone enjoyed robust economic growth in the earlier 2000's that saw a re-bouncing of the economy from the devastating effects of the 10-year brutal civil war that ended in 2002. During those earlier years of post conflict development effort, sound economic policies were an important factor, as was the favorable external environment and increased external support in the form of debt relief and higher inflows in the form of aid and budget support grants. However, the food and fuel price shocks of 2008 that preceded the 2009 global financial crisis weakened the external position of the country as a net importer of food and fuel, which caused inflation to accelerate to double digits, and dampened growth prospects. The global financial crisis greatly exacerbated the policy challenges confronting the country as it strived to consolidate its economic gains and meet the Millennium Development Goals (MDGs). The crisis affected advanced economies, emerging economies, and low-income countries in very different ways. Advanced economies were first hit mainly by the systemic banking crisis in the United States and Europe. Emerging markets with well-developed financial systems (such as countries in Asia, South America and South Africa) were initially mostly affected by cross-border financial linkages through capital flows, stock market investors, and exchange rates. In Sierra Leone, which is financially less-developed the impact of the crisis was not felt immediate, however the real sector was hard hit soon or later due to the decline in the demand for the primary exports of the country and the decline in remittances from abroad . That is, our export of primary products such as diamonds, rutile and bauxite fell by more than one-third in 2009 as demand in the international market dipped sharply due to the crisis. In addition, remittances from abroad dropped and the current accounts position worsened, and growth in economic activities measured by the GDP slowed down.

The 2010 Annual Economic survey (AES) was designed to capture information about the economy, which could be used to assess the performance of the economy in 2009. The survey provides information used to estimate the Gross Domestic Product (GDP) and other economic aggregates. This survey report is intended to provide additional information used to answer specific questions on employment, expenditure, revenue, capital expenditure changes in stocks, etc not normally reported in the National Accounts but 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.

The specific objectives of the survey include the following:

To:

- assess the employment situation in the business sector
- estimate the turnover of establishments
- examine the wage bill of establishments
- estimate the profit margin of establishments
- provide information for estimating the Gross Value Added and hence GDP of the industries
- 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	17	17
Communication	10	6	2	8
Construction	70	8	27	36
Hotels & Restaurants	337	10	60	70
Insurance	10	5	5	10
Manufacturing	960	11	67	78
Other Business Services	636	19	68	87
Shipping Agencies	15	3	7	10
Trading	6927	11	107	117
Total	**9018**	**74**	**372**	**446**

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 372 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, the it sought to obtain information about the 2009 fiscal year, with projections for 2010

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.

There were a total of 14 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 6, 2010 and referred to actual figures (in million Leones) for the fiscal year 2009, with estimates for 2010. However, majority of establishments did not provide estimates for 2010 and therefore 2010 projections were not included in this report.

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 2010 Survey targeted 446 establishments; of this number of establishments, 61% were in Freetown alone. Out of the 446 establishments targeted, 352 (78.9%) establishments were successfully interviewed. The non-responses (21.1%) 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 rage 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, proving 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-activitù 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, if 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 recoded 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, delivery 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

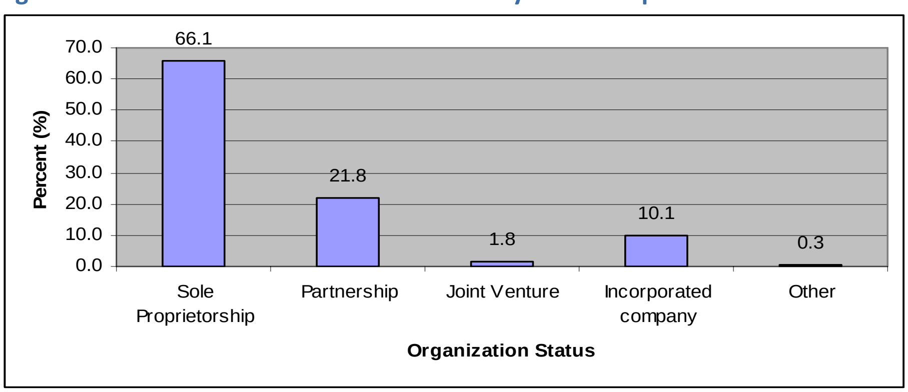
This section presents basic information of establishments obtained in the survey. Such information includes organizational structure, regional distribution, and industrial distribution of businesses operating in the country.

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 9,019.

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

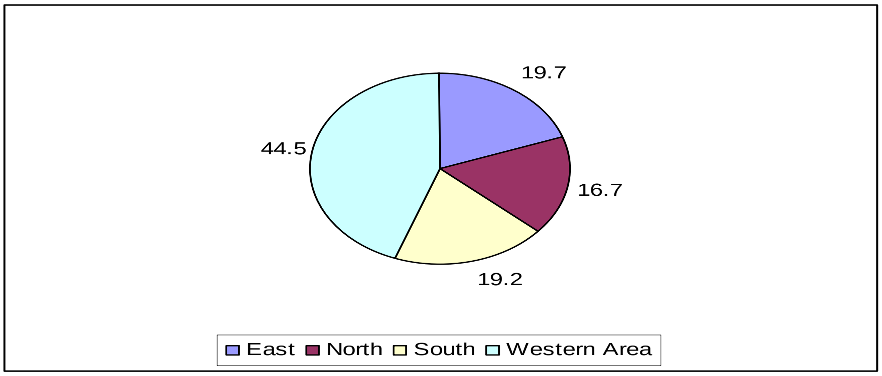


As shown in Figure 3.2.1, there were considerably more Sole Proprietorships (66.1 percent) than Partnerships (21.8 percent), Incorporated Companies (10.1 percent) and other (0.3 percent). These results underline the small scale nature of business operations in the country and the informal nature of the economy which may be due to the unavailability of well-established capital market in the country from which large scale capital can be raise to support the formation of incorporated businesses.

3.2.2 Regional Distribution of Establishment

Figure 3.2.2 below shows the regional distribution of the estimated 9019 establishments in the ten sectors surveyed. Based on the survey results, it was estimated that 44.5 percent (about 4,011) of all establishments in the ten sectors surveyed were located in the Western Area compared to 19.7 percent (1,773) in the Eastern province, 19.2 percent (1,727) in the Southern Province and 16.7 percent (1,507) in the Northern Province. With the exception of Western Area which had the highest number of establishments, there were an almost even number of establishments in the ten sectors in the other 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.

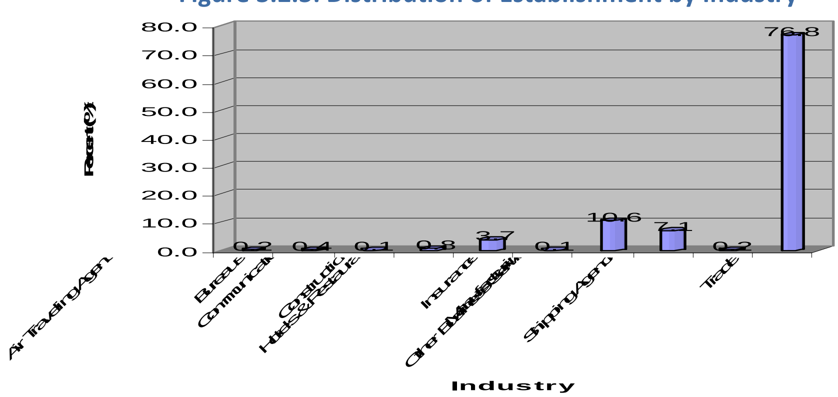
Figure 3.2.2: Distribution of Establishment by Region



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 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.

3.3.1 Employment Characteristics

Figure 3.3.1shows the percentage distribution of employees by Sex and Sector. The data shown in Table 3.3.1 shown that the distribution network of goods and service employed the largest part of the labour force (80.4 % of total employees) since out of the 288188 persons employed in 2008, 231725 were employed in the Trade Sector. In 2009, out of 129362 persons employed, 71, 555 were employed in the trade sector. In each of the years, the employment figures show strong female participation in trading activities; although the figures were lower for 2009 due to the impact of the financial crisis. In 2008, the participation of females in trading was 11.9%; while in 2009 it was 14.7%

Table 3.3.1: Distribution of employees by Sex and Sector

	2008			2009		
Industrial Sector	**Total Employed**	**No. of Females**	**% of Females**	**Total Employed**	**Female Employees**	**% of Females**
Air Transport	203	54	26.5	216	76	35.2
Foreign Exchange Bureau	133	28	21.1	287	70	24.4
Communication	3,030	566	18.7	3,334	506	15.2
Construction	2,092	136	6.5	4,283	545	12.7
Hotels/Restaurants	6,357	2,010	31.6	7,305	2,494	34.1
Insurance	675	224	33.2	1,019	340	33.4
Manufacturing	15,990	1,605	10.0	16,470	1,860	11.3
Other Business Service	27,672	3,744	13.5	21,742	2,214	10.2
Shipping Agencies	311	79	25.3	3,152	167	5.3
Trade	231,725	27,541	11.9	71,555	10,783	15.1
Total	**288,188**	**35,987**	**12.5**	**129,362**	**19,055**	14.7

In 2008, the percentage of females in employment is greater in insurance industry (33.2%) and in hotel & restaurants (31.6%) of the total empoyees in those industries. However in the shipping industry, the percentage of female employees fell from 25.3% in 2008 to 5.3% in 2009; which could be attributed to the financial crisis which affected the world demand and production since 2008. On the other hand the proportion of femal employees in the construction sector increased from 6.5 in 2008 to 12.7% in 2009; which could be as a result of the prioritization of infrastructure (road constuction, etc) under the Agenda for Change, which boost the industry.

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 3.3.2 Compensation of Employees (CEO) by Industry

Industry	Compensation of Employees, 2008	Compensation of Employees, 2009	COE/Exp Ratio, 2008	COE/Exp Ratio, 2009
Air Transport	1.08	9.24	12.1	65.3
Bureau	2,105.43	8,000.00	31.1	41.5
Communication	24.19	800.00	8.9	22.3
Construction	4.94	800.00	10.6	5.4
Hotels & Restaurants	14.81	2,000.00	25.9	59.9
Insurance	1,488.46	2,000.00	23.8	15.8
Manufacturing	137.37	1,000.00	8.7	35.5
Other Business Services	47.17	100.00	74.1	30.3
Shipping Agencies	4.81	10.00	32.2	25.2
Trade	79,396.50	50,000.00	11.3	12.5
Total	**83,224.76**	**64,719.24**	**11.6**	**14.2**

Table 3.3.2 shows that that the COE was Le 83,224.76 billion in 2008 and Le 64,719.24 billion is 2009. In terms of percentage of total expenditures, Other Business Services spent 74.1% (in 2008) and 30.3% (in 2008) of total expenditures on compensation of employees, compared with construction industry which spent 10.6% (in 2008) and 5.4% (in 2009) of expenditures on COE. Overall, 14.2% of expenditure of industries in 2009 were on wages and salaries; and it is clear that the proportion of expenditure spent on COE increased significantly in 2009, which could be blamed on the financial crisis, which significantly reduced the volume of variable costs due to low in demand and hence output industries.

The data also show although trade industry has the largest workforce, it has one of the least proportion of COE/Expenditure ratio of 11.3% in 2008 and 12.5% in 2009. 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 2008, total revenue amounted to Le 850,269.68 billion compared to Le 589,899.33 billion in 2009. Although there was a visible increase in the revenue of industries like communication, hotels & restaurants, construction, insurance, manufacturing and other business services, this increase was not strong enough to offset the drop in revenue of industries like trade, air transport agencies and foreign exchange bureaus. This shows that the financial crisis did affect sales volumes of the distributive industries.

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

Industry	Total Revenue	Total Revenue	Total Expenditure	Total Expenditure	Exp/Rev Ratio	Exp/Rev Ratio
	2008	**2009**	**2008**	**2009**	**2008**	**2009**
Air Transport	10.1	11.27	8.9	14.14	88.5	125.5
Foreign Exchange Bureau	41,000	30,000.00	36,780.0	19,255.45	89.7	64.2
Communication	343.8	6,723.11	270	3,588.93	78.6	53.4
Construction	174.6	20,000.00	46.8	14,747.79	26.8	73.7
Hotels Restaurants	63.0	2,580.06	57.2	3,340.27	90.8	129.5
Insurance	10,036.6	10,000.00	6265.3	12,649.68	62.4	126.5
Manufacturing	1,622.9	20,000.00	1585.6	2,813.43	97.7	14.1
Other Business Services	73.1	563.65	63.6	330.26	87.0	58.6
Shipping Agencies	14.7	21.24	15.0	39.61	101.4	186.5
Trade	796,930.90	500,000.00	705,024.92	400,000.00	88.5	80.0
Total	**850,269.68**	**589,899.33**	**750,117.74**	**456,779.56**	**88.2**	**77.4**

Similarly, the data in Table 3.3.3 shows that there was a drop in estimated expenditure from Le 750,117.74 billion in 2008 to Le 456779.56 billion in 2009; the drop was noticeable in the trade industry. Table 3.3.3 also shows that Shipping Agencies, hotel & restaurant, insurance and air traveling agencies spent significantly more than the revenue generated for 2009, which essential means that the industries made a loss in 2009. The global financial crisis could explain this massive loss in 2009, which affected global demand and production as well as movement of people, goods and services.

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

Industrial Sector	Gross Operating Surplus (GOS), 2008	Gross Operating Surplus (GOS), 2009
Air Transport	1.2	(2.88)
Foreign Exchange Bureau	4220.0	10,744.55
Communication	73.4	3,134.18
Construction	127.7	5,252.21
Hotels/Restaurants	5.8	(760.21)
Insurance	3771.3	(2,649.68)
Manufacturing	37.3	17,186.57
Other Business Services	9.5	233.39
Shipping Agencies	-0.2	(18.37)
Trading	91906.0	100,000.00
Total	**100,151.9**	**133,119.77**

Although there was an improvement in the overall operating surplus of the ten sectors from Le 100, 151.9 billion in 2008 to Le 133,119.77 billion in 2009, the data in Table 3.4 also show that shipping agencies, insurance, hotel & restaurant and air transport agencies all registered a negative operating surplus in 2009. This decline in operating surplus in this sector could be due to the global financial and economic crisis such began in 2008; the crisis affected the international trade as well tourist movements and goods and services.

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. Changes in inventories is estimated as the difference the opening stock and the closing 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

Industry Code	2009 Change in Inventory	2009 Capital Expenditure
Air Travelling Agencies	-	0.03
Bureaus (Other Fin. Inst.)	-	16.37
Communication	-	174.31
Construction	-	11.25
Hotels %& Restaurants	310.60	25.62
Insurance	-	6.96
Manufacturing	12,893.54	9,152.01
Other Business Services	-	19.48
Shipping Agencies	-	4.46
Trade	(4,223.21)	219.08
Total	**8,981**	**9,629.57**

Table 3.5 shows that a positive net of Le 8,981 billion accounted for as inventories in 2008 compared with Le 9629.57 billion in 2009. The accumulation of inventories could show a low demand and or problem in the production and distributive network in the economy

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

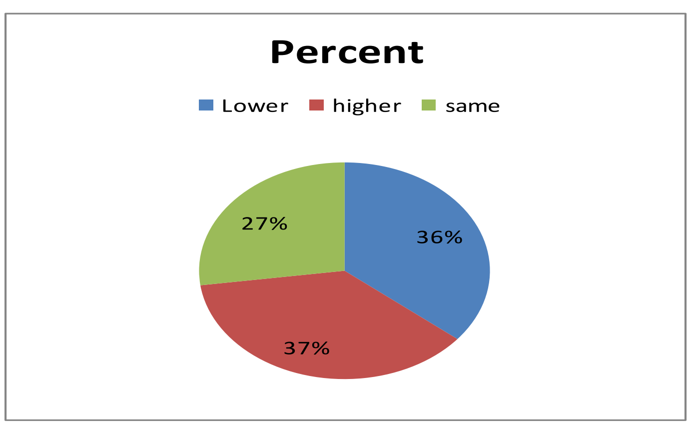
4.0 Introduction

This section of the report will mainly look at the business environment in Sierra Leone whether it is favorable as well as provide essential information for investors, donor organization, business researchers and the general public for investment decision making especially for those that intend to go into business. Conducive business environment 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 2009 Compared with Year 2008

In a competitive business environment, almost all business establishments would like to increase their market share. Therefore, demand situation is an important aspect that determines a firm's profitability and 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 slightly increased in 2009. About 37% of all business establishments in 2009 had higher demand for their products which shows an increase as compared to 36% in 2008. Also about 36% of business establishments had lower demand for their products in 2009 as compared to 43.6% in 2008. However, about 27% of business owners said that the demand situation for their products in 2009 remain the same as in 2008.

Figure 4.1: Pie Chart Showing Percentage of Demand Situation in 2009 Compared with 2008 Nationwide



The increase in the demand for goods and services in 2009 as compare to 2008 could be attributed to the measures that were taken in order to reduce the market prices of basic food stuffs, which were higher in 2008 due the global financial crisis that affected the economies of most developing countries.

4.1.1 Demand Situation for Year 2009 Compared with Year 2008 by Sector

The demand situation for goods and services in 2009 compared with 2008 is analyzed by sector in order to determine the sectors in which businesses are flourishing from those sectors in which businesses are slow for policy interventions. Table 4.1.1 below shows the demand situation in 2009 compared with 2008 by sector of industry.

Table 4.1.1: Percentage distribution of the demand situation in 2009 compared with 2008 by sector

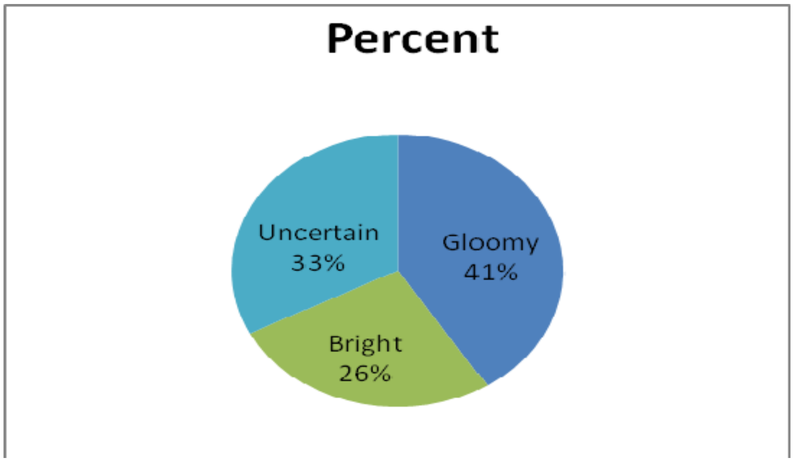
Sector of Industry	Demand situation in 2009 compared with 2008			Number
	Lower %	Higher %	Same %	
Air traveling Agencies	33.3	44.5	22.2	18
Bureaus	58.3	30.6	11.1	36
Communication	10	90.0	0	10
Construction	25.4	46.5	28.1	71
Hotels % & Restaurants	30.9	32.3	36.8	337
Insurance	0.0	60.0	40.0	10
Manufacturing	14.1	40.6	45.3	960
Other Business Services	40.7	22.2	37.1	636
Shipping Agencies	57.2	21.4	21.4	14
Trade	39.2	37.1	23.7	6927
Total	**36.2**	**36.4**	**27.4**	**9019**

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 2009 compared to 2008. Within industry, establishments in the Communication, construction and manufacturing sectors (90%, 46.5% and 40.6% respectively) all experienced higher demand for their services in 2009 compared to 2008. The increase in demand for services in these sectors is due to wider network coverage by telephone companies, Internet service providers (ISP) as well as the massive road construction projects embark on by the government nationwide. Other sectors that experienced significant decreases in the demand for their goods and services in 2009 compared with 2008 includes: shipping agencies (21.4%), Insurance (60.0%).The decrease in demand in 2009 as compared to 2008 may be due to the increase in import taxes and prices of most goods and services as a result of the global financial crises which affected transactions in almost every sector of the economy.

4.2 Business Outlook for 2010

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 2010, 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, 33% of business establishments in Sierra Leone were said to be uncertain about their business prospects.

Figure 4.2: Pie Chart Showing Percentage Distribution of Business outlook for 2010



From Figure 4.2.1, about 41% of business establishments rated their prospects as gloomy while 26% said their prospects were bright. This estimate may be due to the slow down in business activity reflected in the global financial, energy and food crises that affected most countries in 2009, couple with the increase in domestics prices of goods and services and depreciation of the exchange rate which might led to higher prices and low demand for goods and services. The global uncertainty created by these crises as well as the trend in domestic prices may have led to the high degree of uncertainty expressed by respondents on their prospects for growth in 2010

4.2.1 Business Outlook for 2010 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 2010 than the other sectors. The survey result in Table 4.2.1 shows the business outlook in 2010 by sector. As indicated in table 4.2.1 below, it can be clearly seen that business establishments in some of the sectors: Trade (70.42%), Other Business Service (11.63%), Manufacturing (10.2%), said their business outlook was uncertain for 2010. However, there were a small percentage of business establishments like trade (74.72%) and manufacturing (14.44%) that were somehow optimistic about their business prospect in 2010 rating it as bright with trade more outstanding.

Table 4.2.1: Business Outlook for 2010 by Sector

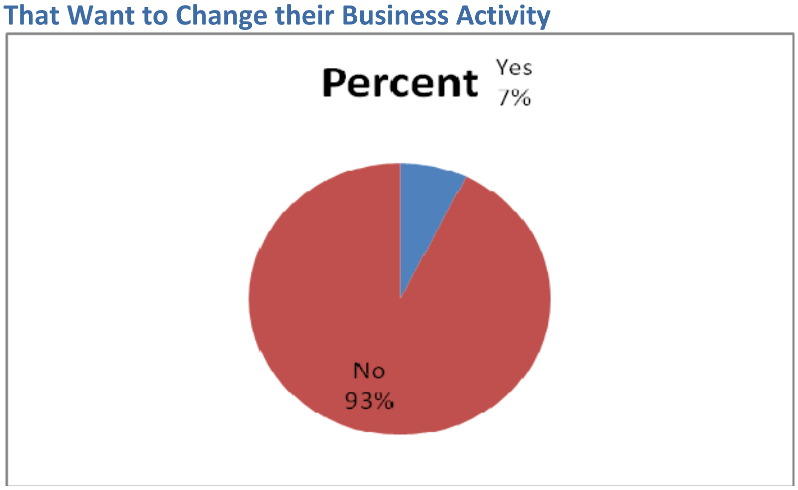
Sector of Industry	Business Outlook for 2010			
	Gloomy %	Bright %	Uncertain %	Total
Air traveling Agencies	0.16	0.33	0.14	18
Bureaus	0.19	0.46	0.61	36
Communication	0.11	0.17	0.03	9
Construction	0.68	0.84	0.85	70
Hotels % & Restaurants	1.82	4.14	5.81	337
Insurance	0	0.38	0.03	10
Manufacturing	8.54	14.44	10.20	960
Other Business Services	5.10	4.44	11.63	636
Shipping Agencies	0.14	0.08	0.27	15
Trade	83.27	74.72	70.42	6927
Total	**40.9**	**26.5**	**32.6**	**9018**

From Table 4.2.1 above, some of the business establishments such as Insurance, Bureaus, Shipping Agencies, etc were uncertain about their growth prospects in 2010 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. Therefore, business establishments' owners and managers were asked whether they were willing to change their current business. As shown in Figure 4.2.2 below, only a small proportion of business establishments about 7% of the respondents expressed their willingness to change their business activities while the rest (93%) 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

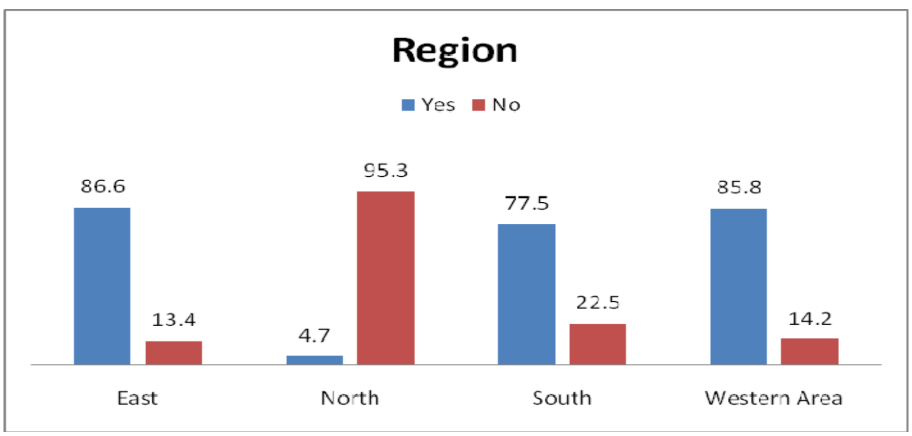


The reasons given by business establishments that wanted to change their business activities were; low demand/sales, high taxes levied on their businesses by Government, many people establishing similar businesses and low income.

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 well as attract foreign investment. Therefore, 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 is the worse region in terms of the availability of public power supply to business establishments. The North has about 95.3% of business establishments not connected to public power supply with only 4.7% of establishments operating in the north having access to electricity supply through the use of private sources rather than public power supply. All the other three regions: East (86.6%), South (77.5%) and West (85.8%) have a large proportion of business establishments connected to public power supply. Only about 13.4% of business establishments in the East, 13.6% in the West and 22.5% 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.

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



Average consumption of electricity increased in all towns from 8 hours per day in 2008 to about 12 hours per day in 2009.

Figure 4.3.2: The average number of hours enjoyed by establishments Per day in 2009 compared to 2010 classified by region

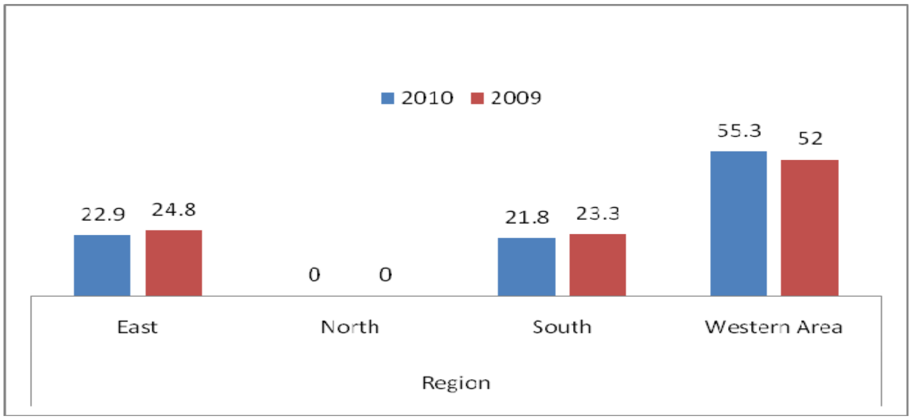


Figure 4.3.2 above shows the Average number of hours that business establishments receive electricity supply by region. There was an increases in electricity supplied in the Western Area to business establishments in 2010 compared to 2009 while in South and East it is the reverse situation. The North is showing the same average number of hours of electricity supply (0.0hrs). The West area recorded a marginal increase in electricity supply (from 52hrs to 55.3hrs). Electricity supply to business establishments decreases with the same margin in the East and south regions, with the East (from 24.8hrs to 22.9hrs), south (from 23.3hrs to 21.8hrs) and constant in the North (from 0.0hrs to 0.0hrs).

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

Sector of industry	Average no of hours firm enjoys electricity 2009	Average no of hours firm enjoys electricity 2010
Air Traveling Agencies	6	7.8
Bureaus (Other Fin Inst.)	5	5.9
Communication	6.1	8.9
Construction	5.1	5.7
Hotels %& Restaurants	5.2	6.8
Insurance	5.7	1.6
Manufacturing	5.9	6.0
Other Business Services	3.4	4.0
Shipping Agencies	5.7	8.7
Trade	4.9	5.6
Total	**4.9**	**5.6**

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 2010 compared with 2009 except for Insurance that recorded an average decrease from 5.7 hours in 2009 to 1.6 hours in 2010. Trade and Other business

are the sectors that receive the lowest number of hours increase in electricity supply in 2010 compared to the other sectors. Shipping Agencies sector receive the highest number of hours of electricity supply per day (8.7 hours), followed by Communication sector (8.9 hours) and Air Traveling Agencies sector (7.8hours). Even though there is improvement in the electricity supply in almost all the sectors in 2010, yet none of the sectors receive up to 9 hours of electricity supply per day in 2010. The increase in the electricity supply enjoyed by establishments in most of the sector may be as a result of the government's emergency energy program which places priority on the supply of electricity especially in the western Area were most of the industries are concentrated ,couple with the supply of electricity from the Bumbuna hydro power station.

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.

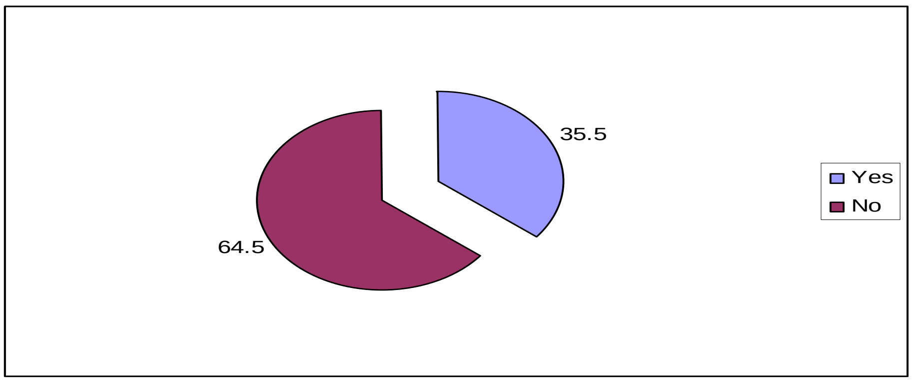


Figure 3.3.3 shows that only 35.5% of respondents agreed that the hours of electricity received from the national grid were adequate, which means that 65.5% disagreed. The results underline the fact that although there is now appreciable electricity supply in the country, yet the amount of electricity provided was considered inadequate for commercially viable business operations. This could mean that the electricity provided is targeting mainly household consumers and not business establishment. There is widespread complaint about the erratic nature of the power supply among business people, including providing electricity at odd times such as in the middle of the night.

Table 4.3.3 Desired hours of electricity by sector

Industry	Average (hrs)	Maximum (hrs)
Air Traveling Agencies	5	10
Bureaus (Other Fin. Inst.)	18	24
Communication	21	24
Construction	10	24
Hotels %& Restaurants	14	24
Insurance	19	24
Manufacturing	11	24
Other Business Services	11	24
Shipping Agencies	12	24
Trade	10	24
Total	**10**	**24**

The survey asked for the business people about their desired hours of electricity to carry out their business operations; the results are shown in Table 3.3.3.

Table 3.3.3 shows that business people desired on average 10 hours of electricity to carry out their operations, of course 24 hrs is the most desirable. By industry, communication (21 hrs), insurance (19 hrs), bureaus (18 hrs) and hotel & restaurants (14 hrs) indicated the highest desire for electricity supply form the national grid. These are really those industries that need constant and stable electricity supply to carry out their operations. Given the low scale manufacturing level in the country, the desire for electricity is not as strong.

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. When asked about the use of the Public Phone, out of 9018 businesses, about 19.9% of the respondents said they use telephone landlines in their business communications while 70.3% said they do not use any landlines. Western region is the only region that recorded a very high percentage of business establishments (94.3%) 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 84.4% of respondents said they use mobile phones for business communication. Only 5.8 % 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 was ease of transaction. Unavailability of the land phone was another reason given for the preference of mobile phone.

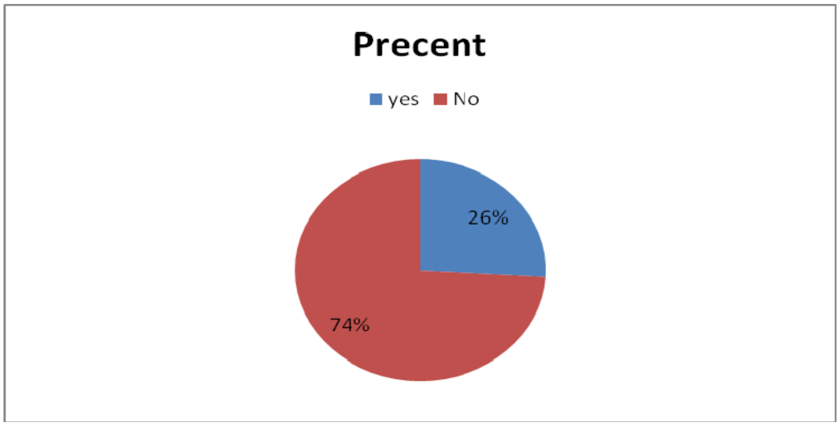
Table 4.4: Proportion of Establishments that use Land Phones Compared to Mobile Phones

Region	Use Public Telephone		Use Mobile Phone		Number of establishments
	Yes	No	Yes	No	
Eastern	0.5	25.1	20.3	10.2	**1772**
Northern	0.5	21.3	16.7	17.5	**1507**
Southern	4.7	23.2	19.7	11.6	**1727**
Western	94.3	30.4	43.4	60.7	**4011**
Total	**1989**	**7028**	**8440**	**577**	**9017**

4.5 Access and Use of Internet Facilities

The access to the Internet and its use in communication by businesses has now become modernized and widely acceptable way of transacting business in most countries in the world. From the survey result in Figure 4.5 below, it is surprising to note that a large proportion of business establishment (74%) in Sierra Leone do not have access to internet. Only 26% of the businesses said they have access to internet. Perhaps the reasons for this low Internet use by businesses are that the size of the businesses are too small in terms of capital, the high illiteracy level of business owners or the lack of awareness of the huge potential benefits, which the use of the Internet has for businesses. The limited availability of Internet service providers coupled with the irregular supply of electricity may also be contributing factors.

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	13.3	21.9	**1772**
Northern	0.2	22.5	**1507**
Southern	3.4	24.7	**1727**
Western	83.1	31.0	**4011**
Total	**2336**	**6683**	**9017**

As shown in table 4.5.1 above, the use of the Internet has not yet been widely spread to all parts of the country. Table 4.5.1 shows that majority of the business establishments about 83.1% that have access to internet are concentrated in the western area where as the other regions have fewer businesses that have access to internet facility especially in the Northern and Southern regions. The reason for the large number of business establishments that have access to internet facility in the western region could be attributed to the large businesses in terms of size and capital concentrated in these regions.

Further analysis of having access to internet facility by industry (see table 4.5.2 below) shows that Trade sectors have the highest Internet access (79.5%) while very few of the businesses in the other sectors had access to Internet. Manufacturing sector has the highest number of business establishments (11.7%) that do not have access to internet facility.

Table 4.5.2 Distribution of Business access to Internet by Sector

Industry	Have Access to Internet	No Access to Internet	No
Air Transportation	0.8	0	18
Bureau	1.2	0.1	35
Communication	0.4	0	10
Construction	1.0	0.7	71
Hotels and Restaurants	4.5	3.5	337
Insurance	0.3	0.0	10
Manufacturing	7.7	11.7	960
Other Business Services	4.0	8.1	636
Shipping agencies	0.6	0	15
Trade	79.5	75.9	6927
Total	**2337**	**6682**	**9019**

4.6 The First Main Use of Internet by Businesses

Respondents were asked to list the main use to which they put the Internet in their establishments. Table 4.5.3 below shows the various ways in which business establishments' uses internet facility.

Table 4.6: The First Main Use of Internet by Businesses

	East	North	South	West	Total
E-mail	14.8	0.9	0.4	83.9	**88.7**
E-learning (learning over the Internet)	25.0	0.0	0.0	75.0	**0.8**
E-commerce (buying or selling or enquiring over the internet)	0.0	0.0	0.0	100	**6.4**
Advertising	3.1	0.0	79.4	175	**3.9**
Research	0.0	0.0	0.0	100	**0.2**
Other Internet Services	0.0	0.0	0.0	100	**0.1**
Number	**334**	**20**	**85**	**2040**	**2479**

From table 4.5.3 above, it is clear that most business establishments use internet facility mainly to communicate by e-mail. It is however surprising to note that less than 1% of business establishments in Sierra Leone uses internet facility for research , e-learning and also less than 5% for advertising and marketing of their products compared with other countries that are now using internet facility as a main tool and lead channel to promote business in this age of ICT. The total number of establishments with access to Internet facility was 2479, of this, 88.7% said they use Internet mainly for e-mail communication, 3.9% used Internet for advertising while 6.4% for e-commerce (buying or. selling or enquiring over the internet) The internet Services is widely used in the western region compared to the other regions, an indication that more Internet Service Providers (ISPs) are required in the other regions.

Table 4.6.1 Average Number of Computers by Industry

The survey asked questions about the use of computers-desktops and captors in the business place. The computers were only counted if they were in working condition. The results are shown in Table 4.6.

Industry	Desktop	Laptop
Air Transportation	7	2
Bureau	3	1
Communication	62	29
Construction	1	1
Hotels and Restaurants	1	1
Insurance	28	11
Manufacturing	1	1
Other Business Services	3	0
Shipping agencies	4	3
Trade	1	1
Total	**1**	**1**

The survey results show that communication and insurance industries are the major users of computers at the business place. The average number of desktops per establishment in the communication industry is 62 and in the insurance industry the average number of desktops is 28 desktops. Laptop use is mainly in the communication industry. The results also show that manufacturing and trading establishments were the least user of desktops and laptops in the country, which underline the informal status of the industries in carrying out their operations.