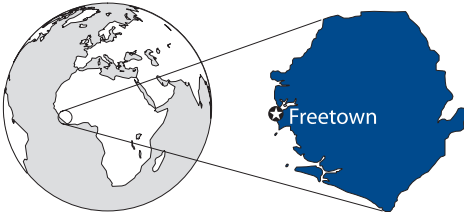


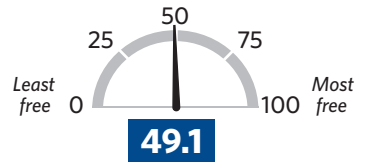
SIERRA LEONE



World Rank: **152**

Regional Rank: **34**

Economic Freedom Score



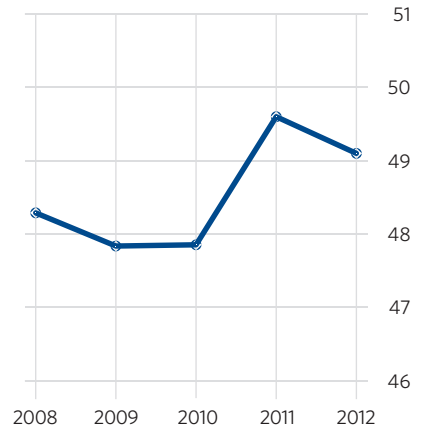
Sierra Leone's economic freedom score is 49.1, making its economy the 152nd freest in the 2012 *Index*. Its score is 0.5 point lower than last year, reflecting declines in scores for the control of government spending, business freedom, and monetary freedom that more than offset small gains in labor freedom and freedom from corruption. Sierra Leone is ranked 34th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the global average.

The foundations of economic freedom in Sierra Leone remain severely hampered by structural and institutional problems. With the rule of law weak across the country, nearly nonexistent property rights and pervasive corruption continue to be a weighty drag on private-sector development.

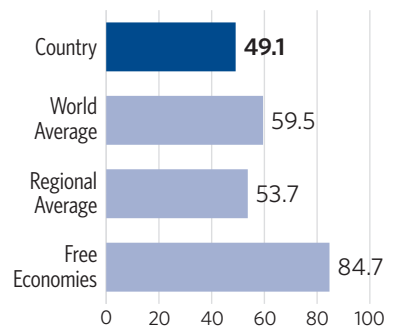
Heavily dependent on the agricultural sector, Sierra Leone's economy suffers from a lack of economic dynamism. Poor infrastructure and erratic regulatory enforcement impede expansion and diversification of the productive base. The financial system, still recovering from the civil war, lacks the capacity to provide sufficient credit for growing business activity. In an effort to move away from dependence on diamond production, Sierra Leone has invested in improving its legal and physical infrastructure. It also has taken steps to improve tax administration and public debt management.

BACKGROUND: Opposition candidate Ernest Bai Koroma was elected president in 2007 in Sierra Leone's first peaceful transition of power since independence in 1961. Recovery since the end of the 10-year civil war in 2002 has been fragile. Infrastructure remains deficient, and the people remain very poor. Industry (primarily mining) accounted for about 23 percent of GDP in 2008. Mineral exports remain the principal foreign exchange earner. Sierra Leone is a major producer of gem-quality diamonds, which account for nearly half of exports. Though rich in this resource, the country has struggled to manage its exploitation and trade. Several offshore oil discoveries were announced in 2009 and 2010, but these possibly significant reserves have yet to be developed.

Freedom Trend



Country Comparisons



Quick Facts

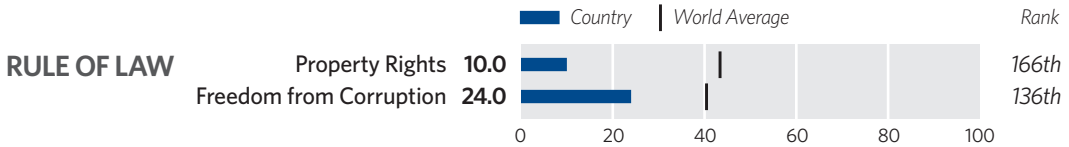
Population: 5.8 million
GDP (PPP): \$4.7 billion
 5.0% growth in 2010
 5-year compound annual growth 5.5%
 \$807 per capita
Unemployment: n/a
Inflation (CPI): 17.8%
FDI Inflow: \$35.8 million
Public Debt: 64.7% of GDP

How Do We Measure Economic Freedom?

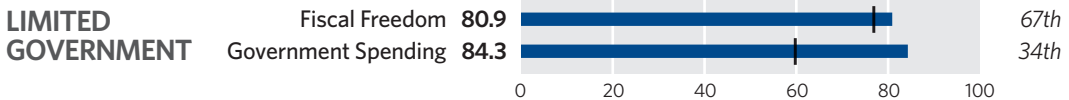
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

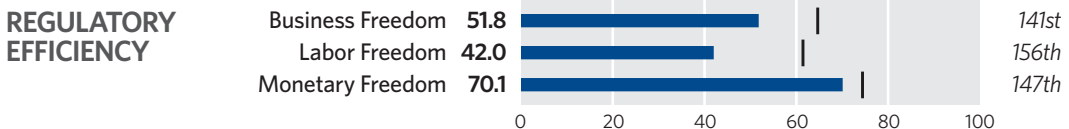
THE TEN ECONOMIC FREEDOMS



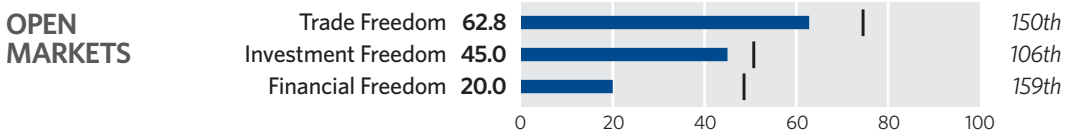
The rule of law is fragile and uneven across the country. In the absence of an effectively functioning legal framework, property rights and contracts are not secure. There is no land titling system, and judicial corruption is significant. Traditional tribal justice systems still serve as a supplement to the central government’s judiciary, especially in rural areas. Corruption remains pervasive in all branches of government.



The top income and corporate tax rates are 30 percent. Other taxes include a goods and services tax (GST) and an interest tax, with the overall tax burden amounting to 10.4 percent of total domestic income. Government spending is equivalent to 22.9 percent of GDP. The budget deficit has increased to over 3 percent of GDP, and public debt has reached a level equivalent to about 65 percent of total domestic output.



The procedure for establishing a business has been simplified, but licensing requirements remain burdensome. In theory, starting a company takes less than the world averages of seven procedures and 30 days, but completing licensing requirements is time-consuming and costly. Outmoded labor regulations have little practical impact as much of the labor force is employed in the informal sector. Inflation has been chronically high.



The trade weighted average tariff rate is prohibitively high at 13.6 percent, with additional non-tariff barriers severely constraining freedom to trade. Private investment activity has been weak, and much-needed long-term investment continues to be discouraged by the weak rule of law and instability. The state controls the majority of bank assets, and much of the population operates outside of the formal banking sector.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.1	Business Freedom	-3.1	Trade Freedom	0
Freedom from Corruption	+2.0	Government Spending	-2.5	Labor Freedom	+2.6	Investment Freedom	0
				Monetary Freedom	-4.1	Financial Freedom	0