SIERRA LEONE ECONOMIC UPDATE

THE POWER OF INVESTING IN GIRLS

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Sierra Leone Economic Update

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Acronyms

AE	Advanced economies
BOP	Balance of payments
BSL	Bank of Sierra Leone
CAD	Current account deficit
CET	ECOWAS Common External Tariff
CCRT	Catastrophe Containment Relief Trust-fund
DHS	Demographic and Health Survey
ECOWAS	Economic Community of West African States
EMDE	Emerging Market and Developing Economies
FDI	Foreign direct investment
MDAs	Ministries, departments, and agencies
MICS	Multiple Indicator Cluster Surveys
MoF	Ministry of Finance
MPC	Monetary Policy Committee
MPR	Monetary policy rate
NPL	Nonperforming loans
PFM	Public financial management
pp	Percentage points
PPP	Purchasing power parity
QAERP	Quick Action Economic Response Program
SOE	State-owned enterprise
SSA	Sub-Saharan Africa
TSA	Treasury Single Account
WEO	World Economic Outlook

Acknowledgements

Executive summary

Sierra Leone, like many countries in the world, is now facing the dire human and economic impacts of the COVID-19 pandemic. Prior to the COVID-19 crisis, Sierra Leone was one of the fastest growing countries in Africa. However, growth prospects have been severely undermined since the COVID-19 outbreak. Sierra Leone's Human Capital Index is 0.36, which indicates that a child born in Sierra Leone today will be 36 percent as productive when she grows up as she could be if she enjoyed complete education and full health. The COVID-19 crisis, like the 2014–15 Ebola epidemic, is likely to damage adolescent girls' education prospects and their human capital potentials as the prevalence of child marriage and early childbearing as well as the risk of girls dropping out of school are all exacerbated during crises.

This update comprises the economic outlook for Sierra Leone and a special chapter on educating girls. Part I discusses recent economic developments, the impact of COVID-19 on the economy and the growth prospects under different scenarios regarding the spread of COVID-19. It discusses the potential channels of transmission, provides estimates of spillovers, and emphasizes necessary policy responses. Part II of this update highlights the economic gains that could be achieved from ending child marriage and promoting girls' education. It also discusses a range of measures that could be undertaken by the Government following the recent decision to allow pregnant girls to stay in school or return to school.

Part I: Recent Economic Developments and Prospects

The COVID-19 pandemic is leading to one of the deepest global economic recessions in history. Global growth, estimated at 2.9 percent in 2019, is expected to contract by 4.9 percent in 2020—7.4 percent below the original forecast. Before COVID-19, domestic demand was already slowing in emerging market economies. For the group of emerging market and developing economies (EMDE), growth in 2019 was an estimated 3.7 percent, down from 4.3 percent in 2018. Growth had also slipped in advanced economies (AE) from 2.1 percent in 2018 to an average rate of 1.6 percent. Across Sub-Saharan Africa (SSA), growth is estimated at 2.2 percent in 2019. In the Economic Community of West African States (ECOWAS), one of the fastest-growing country groups in 2019, growth picked up from 3.3 percent in 2018 to 3.7 percent, because of stronger growth in agriculture and services.

The global outlook will be largely determined by how long and how severe the pandemic is. It is expected that for 2020 the global economy is expected will contract by 4.9 percent—the largest decline since World War II. In 2020, advanced economies are projected to experience the worst growth performance, with output contracting by nearly 9 percent. The EMDE group will fare better than other reported country groups, contracting by 2 percent 2020. Output in ECOWAS and all of SSA is expected to slow down by 1.5 percent, but the medium-term outlook, though highly uncertain, is cautiously optimistic. In 2021, if the pandemic fades in the second half of 2020, allowing the lockdowns and other restrictions to be gradually lifted and economic activities to normalize, global growth will rebound to 4.2 percent. However, if the pandemic continues to spread indefinitely over time, the downturn could be worse, and the recovery could take much longer.

In Sierra Leone, before COVID-19 GDP growth was projected to reach 5.4 percent in 2019—the highest growth since 2016. This would have put Sierra Leone among the fastest-growing economies in the world, with growth rate higher than the averages for AEs, EMDEs, and SSA. However, those growth prospects have been undermined since COVID-19 broke out both domestically and globally. The forecast now is for its economy to contract by 2.3 percent in the baseline scenario of a limited domestic spread of the virus; the impact on the domestic economy will be primarily through the global disruptions of supply and value chains. Although the country has limited international connectivity, its trade and financial flows would still be severely affected in this scenario. In the downside scenario of widespread COVID-19 both domestically and

globally, for 2020 Sierra Leone's economy would contract by 3.5 percent. This deeper contraction would result from the dual shock of the domestic lockdown and the global slowdown. The domestic lockdown would have severe implications for all sectors of the economy, especially services and agriculture.

COVID19 will put public consumption in the driver's seat for growth. As 2020 began, on the spending side, growth was expected to be supported by private consumption and investment; now it is now largely driven by public consumption. As a result, the contribution of public consumption to aggregate growth is expected to jump from –0.7 percent in 2019 to 5.9 percent in 2020. This increased importance of public consumption primarily reflects COVID-related spending needs. Initial estimates show that the fiscal gap resulting from COVID-19 amounts to US$210 million or around 5.4 percent of GDP. Private consumption will continue to be the largest share of GDP, but its growth between 2019 and 2020 will be modest (7.7 percent) relative to previous years. Gross fixed capital formation is expected to decline by an unprecedented 68.4 percent, which will lead its share in GDP to drop by 13.2 pp. As a result of COVID-related lockdowns and travel restrictions, the contribution of net exports to aggregate growth is expected to fall by 4.6 percent.

The pandemic has set back the Government's recent fiscal consolidation efforts. Before COVID-19, the fiscal deficit had declined from 5.7 percent of GDP in 2018 to 2.9 percent in 2019. The fiscal stance was generally contractionary, with a wide range of measures to raise domestic revenue and rationalize expenditures. However, the post-COVID19 projections show a fiscal stance that is more expansionary, as the Government responds to the pandemic. For 2020 the budget deficit is therefore expected to surge from 2.9 percent of GDP in 2019 to 8.9 percent. The ratio of Government debt to GDP is also expected to go up by 4.3 pp to 71 percent. Because of limited access to international markets, public debt will likely shift from external to domestic creditors, possibly with some crowding-out effects. The external share of public debt in 2020 is projected at 23.3 percent, down 25 pp relative to 2019. With interest rates on public debt increasing, the country must also deal with serious adverse fiscal pressures to service the debt.

The current account balance improved in 2019, as the deficit dropped from 18.7 percent of GDP in 2018 to 14.0 percent. The recovery of mineral exports and the continued increase in agricultural exports drove the 0.6 pp improvement in the trade balance to a smaller deficit of 13.4 percent of GDP. Capital transfers and inflows to the financial account, especially foreign direct and portfolio investments, helped finance the current account deficit (CAD) and allowed the central bank to enlarge its foreign exchange reserves by US$13.5 million to US$506 million (3.5 months of imports). Yet in 2019 the Leone had continued to depreciate against the US dollar, largely because import demand pressures rose, especially for manufactures and transportation equipment. Meanwhile, uncertainty increased in the mining sector after the export licenses of one mining company were cancelled. The COVID-19 pandemic is expected to worsen external sector performance. The disruption of global supply chains and domestic social distancing measures to prevent spread of the virus are lowering demand for Sierra Leone's exports and foreign direct investment in the country is falling as the global economy slows into a recession. The loss of export earnings and lower FDI inflows coupled with the need to sustain essential food and medical imports add up to a substantial gap in financing the balance of payments. To narrow the gap, the Government requested support from the IMF Catastrophe Containment Relief Trust-fund (CCRT), and the IMF responded with debt service relief of SDR 13.36 million for six months, with a possible extension of up to two years depending on IMF resources. The IMF also approved the disbursement of SDR 103.7 million (US$143 million or 50 percent of quota) under the Rapid Credit Facility (RCF) to help meet the urgent balance of payments and fiscal needs stemming from the COVID 19 pandemic.

Though inflation moderated in 2019, at 14.8 percent it was still in double digits. Food inflation dropped from a 2018 average of 17.7 percent to 8.8 percent in 2019 as robust growth in agriculture provided more food domestically. Contrary to historical trends, in 2019 nonfood inflation was the biggest driver of headline

inflation, because of higher prices especially for transportation and energy as both fuel prices and utility tariffs went up. To curb high inflation, the Bank of Sierra Leone (BSL) has kept monetary policy tight. After going up 150 basis points in July 2018, through 2019 the monetary policy rate (MPR) was kept unchanged at 16.5 percent as the Bank balanced the risks of higher inflation and exchange rate depreciation against the results of Government fiscal consolidation efforts. In keeping with the tight monetary stance, key money market rates went up and remained high. I 2019 liquidity in the money market was scarce, as evidenced by persistent undersubscriptions in the primary market for government securities and a higher interbank rate, which continued to top the MPR. Despite keeping the MPR constant, broad money grew due to the increase in net domestic assets as both credit to government and private sector increased.

The outbreak of COVID-19 and the disruption in the global supply chain has put upward pressure on prices. In Q1 2020 inflation increased to 15.6 percent, driven mainly by jumps in food prices because of supply bottlenecks. By the end of Q1 food inflation had risen from 5.4 percent in December 2019 to 9.9 percent. To compensate for the adverse impact of COVID-19 on the economy, on March 18, 2020 `the BSL Monetary Policy Committee (MPC) lowered the policy rate by 150 basis points to 15 percent and launched a Le500 billion Special Credit Facility to prevent contraction of aggregate supply. COVID-19 is also likely to intensify financial sector stress as continuing uncertainty raises the risks of loan default, especially since nonperforming loans are already high, at 16.6 percent of total loans.

The COVID-19 pandemic has certainly clouded the country's medium-term growth prospects. It seems likely that 2020 economic growth will be less than the pre-COVID-19 estimates of 2.3–4.0 pp. The outlook is predicated on a contraction of about 12 to 16 percent of GDP in the service sector as travel restrictions, flight cancellations, and quarantine measures reduce tourist arrivals and hotel occupancy to almost zero. Because the local food production system is labor-intensive, the increased labor isolation due to COVID-19 could cut into food production, slowing growth in agriculture. On the demand side, the abrupt reduction in investment largely explains contraction of the economy in 2020. Economic growth is projected to rebound in 2021–22 to average 4.1–4.3 percent and 4.3 percent as agriculture, services, construction, and mining recover. Aggregate demand is also expected to go up as private consumption continues strong and public investments gradually picks up. As the post-COVID-19 crisis recedes, and the supply chains resume, by 2022 headline inflation is expected to pull back to 10.5 percent, supported by tight monetary policy, recovery of domestic food production, and a stable exchange rate.

Downside risks will dominate because of domestic and external imbalances exacerbated by the risks of global recession. Domestically, the main macroeconomic risks relate to the large stock of domestic payment arrears and the possibility of fiscal slippages and financial sector weaknesses. Externally, there are risks lower prices and demand for Sierra Leone's exports and lower than anticipated FDI inflows.

To respond to the COVID-19 pandemic, the Government drew up the Quick Action Economic Response Program (QAERP) in addition to the Covid-19 Preparedness and Response Plan for the health sector. Both plans were prepared in close consultation with development partners, especially the World Health Organization and the World Bank. The five pillars of the QAERP are directed to maintaining macroeconomic and financial stability and mitigating the impact of the COVID-19 shock on businesses and households.

Government policy priorities are twofold: (1) short-term measures to reinforce crisis response and (2) medium-term measures to facilitate economic recovery. In the short term, the emphasis is on three pillars: building health sector resilience, protecting poor and vulnerable groups, and keeping the economy stable. These require sound economic policies that are financially feasible, through adequate health care funding, and through compensatory measures for people and businesses.

In the short term, the policy emphasis could be on the following, subject to the limited available fiscal space

1. Fiscal space: Invest more in public health to ramp up health care system capacity to test and treat critically ill patients and to provide free or subsidized preventive and curative medical care. The Government should maintain COVID-19 health policies—mandatory quarantines, inter-district lockdowns, school closures, wearing face masks in public, hand washing, social distancing, and nighttime curfews—until the infection rates slow down.
2. Support vulnerable populations through such means as cash transfers, especially during quarantines and lockdowns.
3. Using policy instruments --such as easing monetary policy, exercising regulatory forbearance, etc. to continue to support businesses and households. The QAERP provides a solid basis for making progress on these short-term policy priorities.

In the medium term, policy measures should focus on: structural reforms to accelerate inclusive economic growth and making macroeconomic policies more stable through fiscal consolidation and prudent monetary policy. To stabilize the economy in a post-COVID-19 era and spur growth, the authorities should quickly move forward on fiscal consolidation policies, prioritize arrears clearance to ease that burden on the budget, improve debt management and transparency, and deepen financial reforms. The post-pandemic structural reform agenda should emphasize private sector–led growth and diversify the economy. The Economic Diversification Report (World Bank 2019) identified how Sierra Leone can drive economic diversification: expanding the productivity of the agricultural base and support agribusinesses; value addition in manufacturing; investing in physical and human capital through health, education, and social protection programs; making the business environment more attractive, and strengthening governance and institutions.

Part II: Special Topic: The Power of Investing in Girls

The COVID-19 crisis is also having a large negative effect on schools and students, with substantial risks for adolescent girls. As in other countries, schools have been closed, leading to likely large losses in learning for students given the limited ability of the Government to implement effective distance learning solutions. There is a substantial risk that some children may never return to school, as was the case when schools were closed during the Ebola epidemic. Adolescent girls are especially at risk because when they are out of school, the risk for them of being married or having a child too early are magnified. In turn, child marriage and early childbearing make it hard for girls to later return to school, leading to long-lasting negative impacts.

School closings and the economic impact of the crisis may affect educational attainment and learning outcomes for years unless public funding for education is protected and mitigation measures are undertaken. A number of policy options are available to governments in sub-Saharan Africa to respond to the COVID-19 crisis. While not all of these options should necessarily be considered in Sierra Leone, many are relevant. The short, medium and long-term challenges resulting from the crisis suggest a three-stage approach to mitigate negative effects: (1) Relief; (2) Recovery; and (3) Resilience and Acceleration.

- Relief (0-5 Months). The immediate priority is to support students and families cope with the crisis and ensure that learning continues during school closures and the summer break. Several actions can be taken to do so, including communications campaigns on continuing to learn while schools are closed; multi-modal distance learning to reach all learners given that few have access to the internet; Sharing materials for home-based learning to help parents use the home as a learning environment; Ensuring flexible timing for end-of-year examinations; Creating national repositories

of digital and other resources to curate low-cost resources for distance learning using various media for all education levels; building capacities in tertiary institutions to respond to epidemics; and supporting school feeding programs adapted to the new circumstances in order to guarantee children are well nourished and ready to learn.

- Recovery (6 Months – 2 Years). In the medium term, continuity will need to be managed. When reopening schools, safety will need to be ensured and adequate support will need to be provided for students, including through remedial education when needed. Communications campaigns and re-enrollment drives with local monitoring and incentives would help ensure that all students go back to school. Sierra Leone has experience in this area from the recent Ebola epidemic. Ensuring that schools are well funded, and teachers are paid on time will also be essential.

- Resilience and Acceleration (2+ years). Even though the probability of a future outbreak and its timing are uncertain, it will also be important to build resilience in the education system for potential future crises and to avoid massive losses of human capital. The current crisis may provide an opportunity to build stronger and more equitable educational system in Sierra Leone.

Many of these steps are being considered by the Ministry of Basic and Senior Secondary Education which has established an Education Emergency Taskforce (EET) to mitigate impact of the crisis. The EET is expected to advise and support the GoSL's education activities during the COVID-19 crisis and in the aftermath of the crisis. The EET will support coordination, planning, and response through four strategic pillars: (i) communications, (ii) continuous distance learning, (iii) school reopening readiness, and (iv) operations, planning and policy. Development partners are part of strategic working groups and are supporting the GoSL in their efforts to mitigate the impact of COVID-19 on the education sector.

The COVID-19 crisis is likely to be especially damaging for adolescent girls as the prevalence of child marriage and early childbearing as well as the risk for girls of dropping out of school are exacerbated during crises. This was the case during the 2014–15 Ebola epidemic. This report's special topic discusses trends in girls' education, child marriage (before the age of 18), and early childbearing (girls bearing a child before they are 18, often because they married early) and analyzes how they affect numerous development outcomes. The intent is to show that investing in girls, especially by promoting their' education and ending child marriage, is not only the right thing to do but could also have large economic benefits. The Government should pay particular attention to ensuring that girls go back to school when they reopen. More generally, this report makes recommendations for policies and programs that could improve opportunities for adolescent girls – ensuring that these opportunities are available is even more important today.

As elsewhere in West Africa, adolescent girls in Sierra Leone continue to have relatively high rates of child marriage and early childbearing and low educational attainment. Analysis is based in part on data from the 2013 Demographic and Health Survey (DHS) and the 2017 Multiple Indicator Cluster Surveys (MICS), as data from the 2019 DHS have not yet been released. In 2017, 28.2 percent of girls aged 18–22 had married as children and 29.1 percent had their first child before they were 18. In part as a result, just 50 percent of girls complete lower secondary education. For upper secondary the completion rate is just 20 percent. While some gains have been made in recent decades, as confirmed by 2019 DHS reports, the rate of progress is much too slow for Sierra Leone to achieve the related Sustainable Development Goals.

Girls' educational attainment, child marriage, and early childbearing are closely related. While numerous factors may lead adolescent girls to drop out of school, child marriage and early childbearing need to be

tackled explicitly. Once a girl is married or pregnant, it is very difficult for her to remain in school. For example, less than 2 percent of girls aged 15–19 are both in school and married. Conversely, keeping girls in school is probably the best way to reduce child marriage and early childbearing—child marriage is the likely cause of almost two-thirds of all instances of early pregnancies. Ending child marriage and early childbearing would allow girls to stay in school—and more education for girls would help to reduce child marriage and childbearing.

Girls' education, child marriage, and early childbearing have serious effects on other development outcomes. Girls who marry or drop out of school early are more likely to have poor health and larger families. They are less likely to be employed as adults, and if they are, they tend to earn less. All these factors make it more likely that their households will suffer from poverty. Other problems are a higher risk of intimate partner violence and a lack of decision-making power within the household. Fundamentally, girls who marry, have children, or drop out of school at an early age are disempowered in ways that deprive them of basic rights, which in turn, negatively impacts on their children, creating a cycle that spirals down through generations. Just one example is that children of very young mothers are at higher risk of dying before age 5.

The economic costs of these burdens on girls are very high in Sierra Leone. In the case of child marriage, this report finds that:

- Ending child marriage could within 15 years generate US$367 million (purchasing power parity, PPP in annual benefits to the Sierra Leone economy by reducing fertility rates and population growth. By reducing population growth, ending child marriage would increase GDP per capita. Given that multiplier effects are not considered, these estimates, which are related to the "demographic dividend," may even underestimate the full magnitude of the potential gains.

- The loss in earnings for adult women working today due to having married as children is US$71 million (PPP). The report estimates that their earnings would be that much higher today if they had been able to avoid early marriage and childbearing and attained more education.

- Ending child marriage could generate savings for education and other national budgets and generate other benefits associated with better under-5 mortality rates. The budget savings could be achieved because with lower rates of population growth, the Government would be providing services like education to smaller cohorts of children. The savings could be invested in improving the quality of education, which could then enhance human capital to generate additional economic benefits. The benefits from lower under-5 mortality are related to the fact that child marriage is a driver of early childbearing, which in turn affects the health of young children.

Both general conditions and targeted interventions are needed to reduce child marriage and early childbearing. Efforts to change social norms and ensure that 18 is the minimum age for marriage without exception are essential to expand opportunities for adolescent girls. But that is not sufficient. In Sierra Leone, where 18 is already the minimum age for marriage, child marriage is still common. The report therefore emphasizes proven interventions to delay marriage and thus reduce childbearing, while also improving educational opportunities for girls:

- Improve general conditions for girls in school: Access should be improved by constructing secondary schools close to areas where underserved girls reside or providing them with transportation to get

to school. Providing adequate water, sanitation, and hygiene facilities for girls is important, as is addressing the risk of violence and sexual harassment both at and on the way to school. It is also essential to ensure that secondary education is affordable and that schools endow girls with skills that enable them to generate income. The lifting of the ban on pregnant girls attending school on March 30, 2020, is a major first step to keeping girls in school.

- Target interventions to improve girls' skills, knowledge, and economic opportunities, especially through measures to ensure that girls remain in school: Ideally, pregnant and married girls should remain in school, as is now allowed in Sierra Leone, but interventions should also expand economic opportunities for adolescent girls who have dropped out and are unlikely to be able to return. Ensuring that adolescent girls have adequate life skills and knowledge of reproductive health is also important, whether or not they are in school. This can be done effectively by safe space clubs where girls can discuss with female mentors such issues as sexual and reproductive health. However, the most effective intervention to delay marriage and childbearing is to help girls to stay in school.

- Provide community-based interventions to address social norms that adversely affect girls: Child marriage, early childbearing, and low educational attainment for girls are rooted in social norms that perpetuate gender inequality. Interventions that involve all members of the community—men and community leaders as well as women—can be effective way in changing norms.

1.1. The global economy is expected to contract significantly in 2020.

1. The COVID-19 pandemic is sparking one of the deepest global economic recession in history. Global growth for 2019 was estimated at 2.9 percent but is instead expected to contract by 4.9 percent this year—7.4 pp below the original projection (Figure 1.1)—primarily the result of the COVID-19 outbreak in the fourth quarter. The economic cost of COVID-19 is reflected in both lockdowns, isolation, social distancing, and widespread closures within countries and in disruptions of the global supply chains. Beyond its economic cost, the pandemic has inflicted high and rising human costs, with more than 482,900 deaths worldwide.[1] Just before the COVID crisis, domestic demand was already slowing in emerging market economies like India, Mexico, and South Africa. Natural disasters were also darkening the outlook in countries across the world, among them hurricanes in the Caribbean, drought and bushfires in Australia, floods in eastern Africa, earthquakes in eastern Europe, and drought in southern Africa.

Figure 1.1: Global and Regional Growth, 2019–22, Percent

Source: WEO database. AE: Advanced Economies, EMDE: Emerging Markets and Developing Economies, SSA: Sub-Saharan Africa, ECOWAS: Economic Community of West African States. e=estimates, f=forecast.
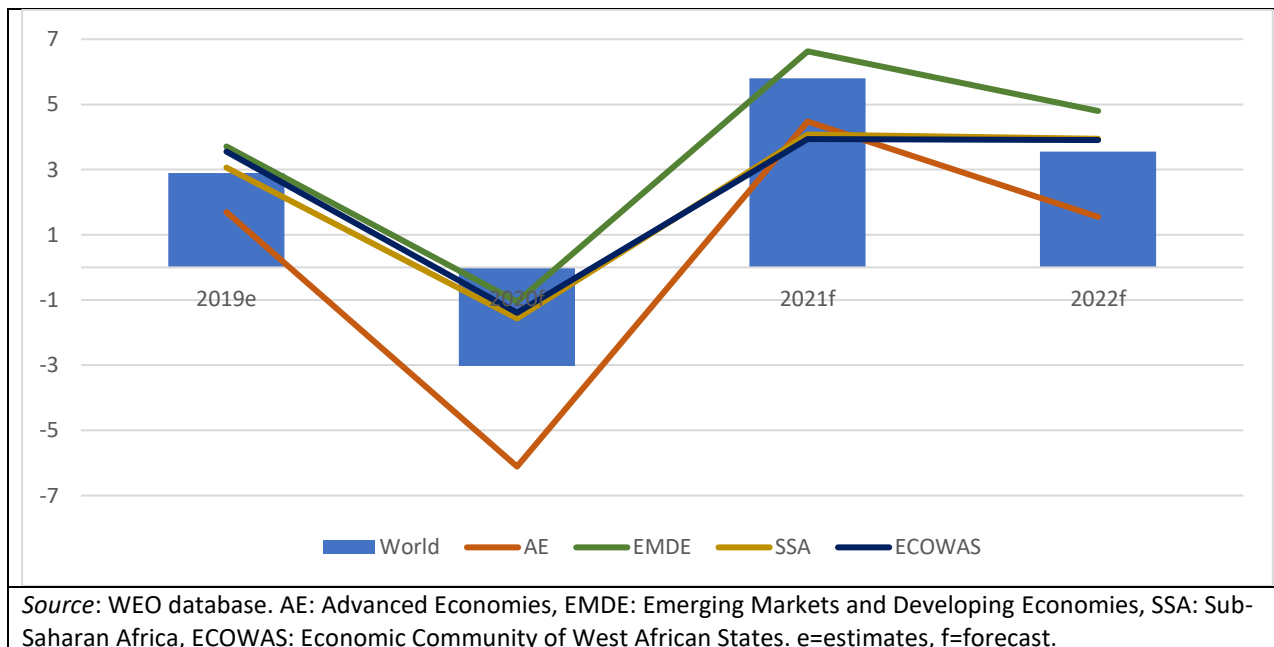
2. In 2019, GDP growth varied substantially across countries and regions. For the group of emerging market and developing economies (EMDEs), 2019 growth was an estimated 3.7 percent in 2019, a slowdown from 4.5 percent in 2018. The slower growth reflects a slowdown in industrial production across EMDEs. Industrial growth has been pummeled by the coronavirus supply shock, a slump in car production and sales, and sinking business confidence amid trade and technology tensions. Growth in advanced economies (AEs) also weakened, with an average of 1.7 percent in 2019, down from 3.6 percent in 2018. Up to the COVID-19 crisis, continued monetary accommodation supported AE growth, which would otherwise have been 0.5 pp lower. The AE slowdown is mostly due to downward revisions for the United States, the Euro Area, and the United Kingdom, and protest-related downgrades for Hong Kong. Across Sub-Saharan Africa (SSA), growth in 2019 was an estimated 2.2 percent, down from 2.6 percent in 2018. The slowing growth reflected factors

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[1] This figure comes from the Johns Hopkins University Coronavirus Resource Center as of June 25, 2020; it will be continuously updated until this report is published.

like lower investment and deteriorating public finances in South Africa and fiscal consolidation in Ethiopia. In 2019 the Economic Community of West African States (ECOWAS)[2] was one of the fastest-growing country groups, with growth accelerating from 3.3. percent in 2018 to 3.7 percent. ECOWAS growth was driven by agriculture and services (in Benin, Burkina Faso, The Gambia, Guinea) and to some extent growth in industry (Côte d'Ivoire, Ghana, Senegal).

3. The global outlook will depend heavily on how long and how severe the COVID-19 outbreak is. As a result of the pandemic, in 2020 the global economy is expected to contract by nearly 5 percent—much worse than during the great recession, which led to a global economic slowdown of 0.07 percent in 2009. AEs are projected to contract by 6.9 percent in 2020—8.3 pp below the original projection. The 2 percent contraction estimated for EMDEs is marginally better at 6.1 pp lower than was forecast. The economies of SSA and ECOWAS are expected to contract by 2.7 percent. The medium-term outlook is cautiously optimistic, but there is still substantial uncertainty about the ultimate trajectory of COVID-19. In the more optimistic scenario, the global economy is projected to grow by 4.2 percent in 2021, assuming the pandemic fades in the second half of 2020 so that lockdowns and other restrictions can be gradually lifted, and economic activities normalize. However, if the pandemic continues to spread indefinitely the economic downturn could be worse, or recovery could take much longer.

1.2. The global pandemic is also complicating Sierra Leone's economic activity.
4. The impact of COVID-19 on Sierra Leone's economy will be severe. Before COVID-19, GDP growth was estimated to reach 5.4 percent in 2020, the highest performance since 2016,[3] and Sierra Leone was expected to be one of the fastest-growing economies in the world, growing more than the average for AEs. EMDEs. and SSA. And even such this relatively rapid growth, output was still thought to be below potential, with an estimated output gap of −3 percent of potential output. Before the pandemic, for 2020–22 growth was expected to average about 5 percent, driven by private consumption, investment, and agricultural and services production (Figure 1.2).

5. However, COVIC-19 has dimmed Sierra Leone's bright medium-term growth prospects. The economy is now forecast to contract by 2.3 percent in the baseline scenario of limited domestic expansion of the virus.[4] In this scenario, the domestic economy would only be affected by the global slowdown through disruption of supply and value chains, but despite the country's limited international connectivity, trade and financial flows would be severely affected. Relative to the pre-COVID projection, the trade deficit is projected to expand by 4 percent of GDP and the CAD by 1.1 percent. Growth would still be supported by private consumption and on the spending side by investment. However, private consumption would decline by 2.3 percent and capital formation by 36.3 percent. Because of the Government's response to COVID-19, public consumption is expected to expand by 9.8 percent in this scenario, because total public spending is projected to rise from 20.7 percent in 2019 to 23.1 percent in 2020. Relative to the pre-COVID-19 projection, GDP growth in this scenario is now expected to deviate by −7.3 pp in 2020, −1.1 pp in 2021, and−0.5 percentage point in 2022.

6. In the downside scenario of continuing widespread COVID-19 infections both domestically and globally, in 2020 Sierra Leone's economy would contract by 3.5 percent.[5] The deep contraction would be the result

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[2] ECOWAS, created in 1975, now has 15 members: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

[3] These are pre-COVID estimates for the 2020 Spring meetings, just before the outbreak began.

[4] In this scenario, the pandemic is assumed to fade in the second half of 2020, which allows for a gradual lifting of containment measures and a prompt recovery.

[5] This scenario assumes that the pandemic will fade by the end of 2020 even in the downside scenario, so that all containment measures are lifted, and a V-shaped recovery can take place in 2021.

of both the domestic lockdowns and the global slowdown. The domestic lockdown would have severe implications for all sectors of the economy, but services and agriculture would be relatively more affected. Services are expected to contract by 14.6 percent in 2020. On the spending side, in this scenario growth will be driven primarily by government consumption because of higher current spending for goods and services to lessen the impact of the crisis. Private consumption is expected to growth by only 4 percent and investment to shrink by 68.3 percent. However, government consumption is expected to soar by to 11.3 percent in 2020. The downside scenario supports a more depressing outlook, with the growth rate expected to deviate by −8.5 percent in 2020, −2.1 percent in 2021, and −0.5 percent in 2022.

Figure 1.2: GDP Growth, Demand Side, 2016 – 22

Source: MfMod, April 2020
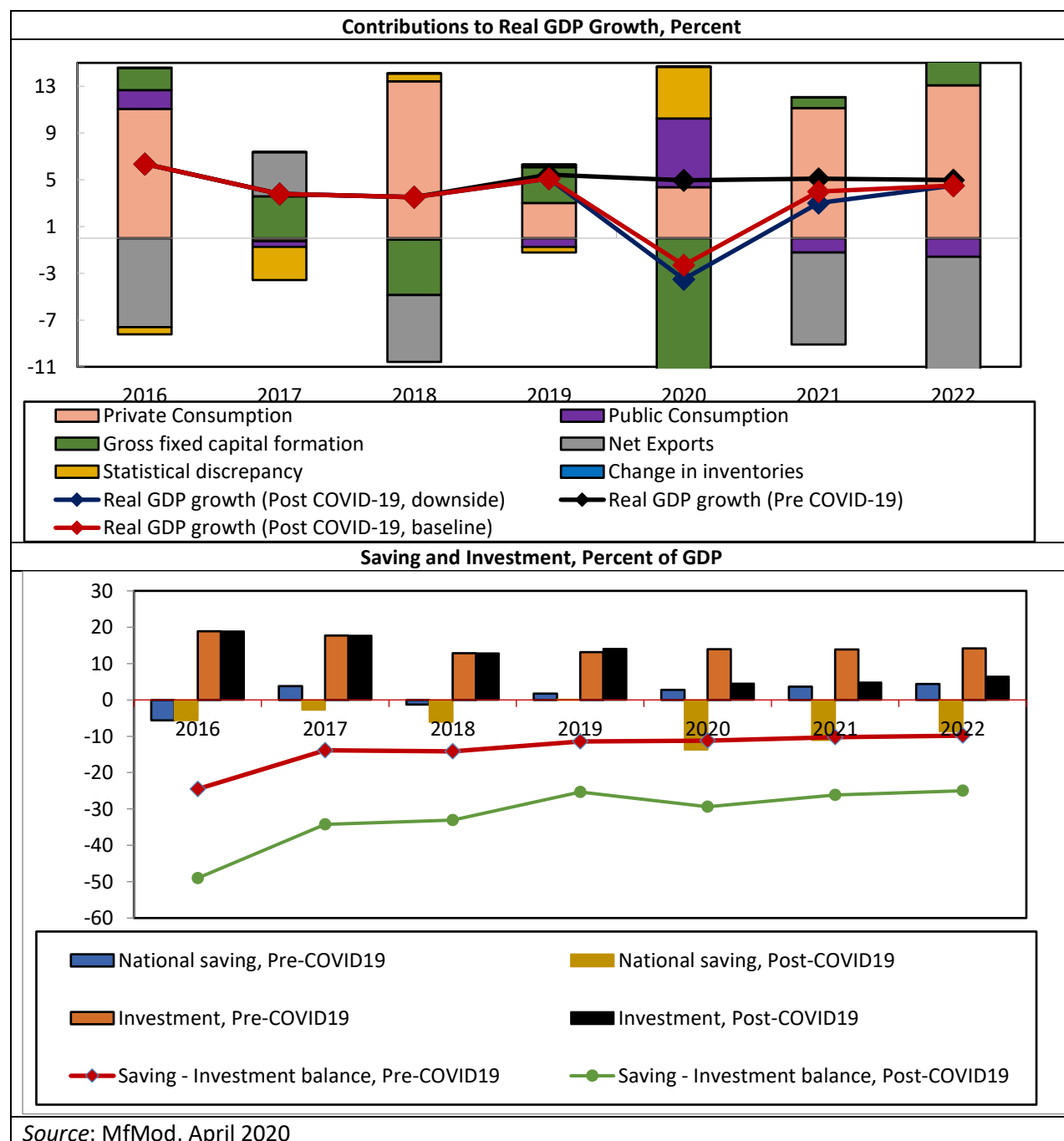
1.3. Pre-COVID-19, pubic consumption was the main driver of growth.

7. Prior to COVID-19, on the demand side growth was expected to be driven by private consumption and investment. At the time, private consumption accounted for the lion's share of aggregate growth, contributing 3 pp (Figure 1.2). Private consumption, which has the largest share of aggregate demand, grew at 2.7 percent. By contrast, though public consumption went up by 9.3 percent, it represented only 9 percent of total spending. In 2019 investment grew by more than 31 pp and was 18.6 percent of aggregate demand. With a growth rate of −0.6 percent, net exports regressed from the 2018 rebound. This unfavorable foreign balance reflects recent closures of iron ore mine and an overvalued real effective exchange rate that reduces external competitiveness. Primary and secondary incomes went up by 13 percent, so that gross national disposable income increased much faster than consumption. Consequently, between 2018 and 2019 the saving–investment balance increased by 3 pp of GDP.

Figure 1.3: Growth Forecast and Output Gap

Source: MfMod, April 2020
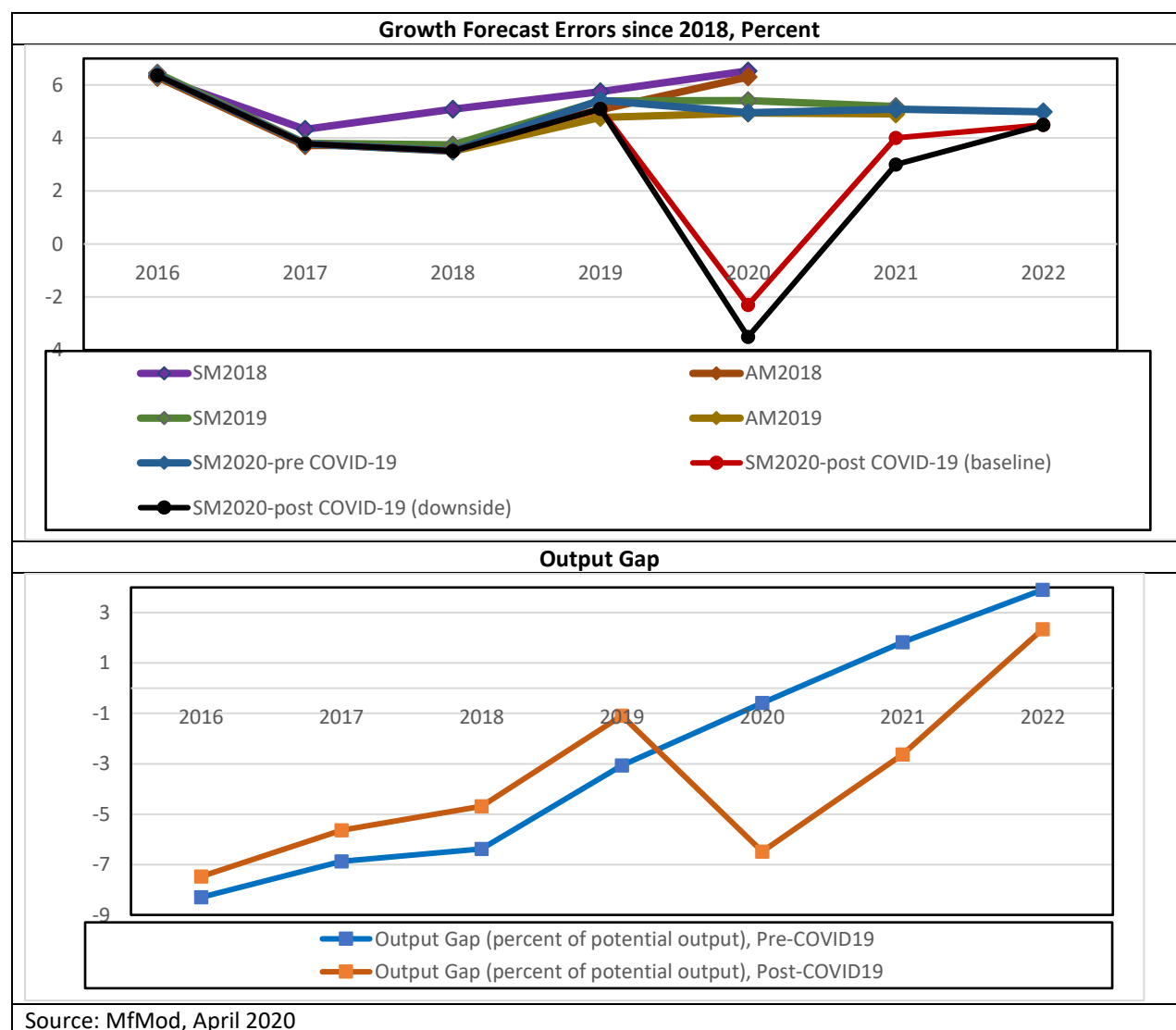
8. COVID19 will likely shift the sources of growth from private to public consumption. Public consumption is expected to increase by 11.3 percent in 2020, with its share in GDP rising by 4.9 pp. Thus, the contribution of public consumption to aggregate growth is expected to rise from –0.7 percent in 2019 to 5.9 percent in 2020. Private consumption will continue to be the largest share of GDP, but its growth between 2019 and 2020 will be modest (7.7 percent) relative to previous years. Lower investment is expected to be the main driver of the country's 2020 economic slowdown. Gross fixed capital formation is forecast to decline by an unprecedented 68.4 percent, eroding its share in GDP by 13.2 pp. As a result of COVID-related lockdowns and travel restrictions, the external sector will also be a drag on growth. The contribution of net exports to aggregate growth in 2020 is expected to be –4.6 percent.

Figure 1.4: GDP Growth, Supply Side, 2016–22

Source: MfMod, April 2020
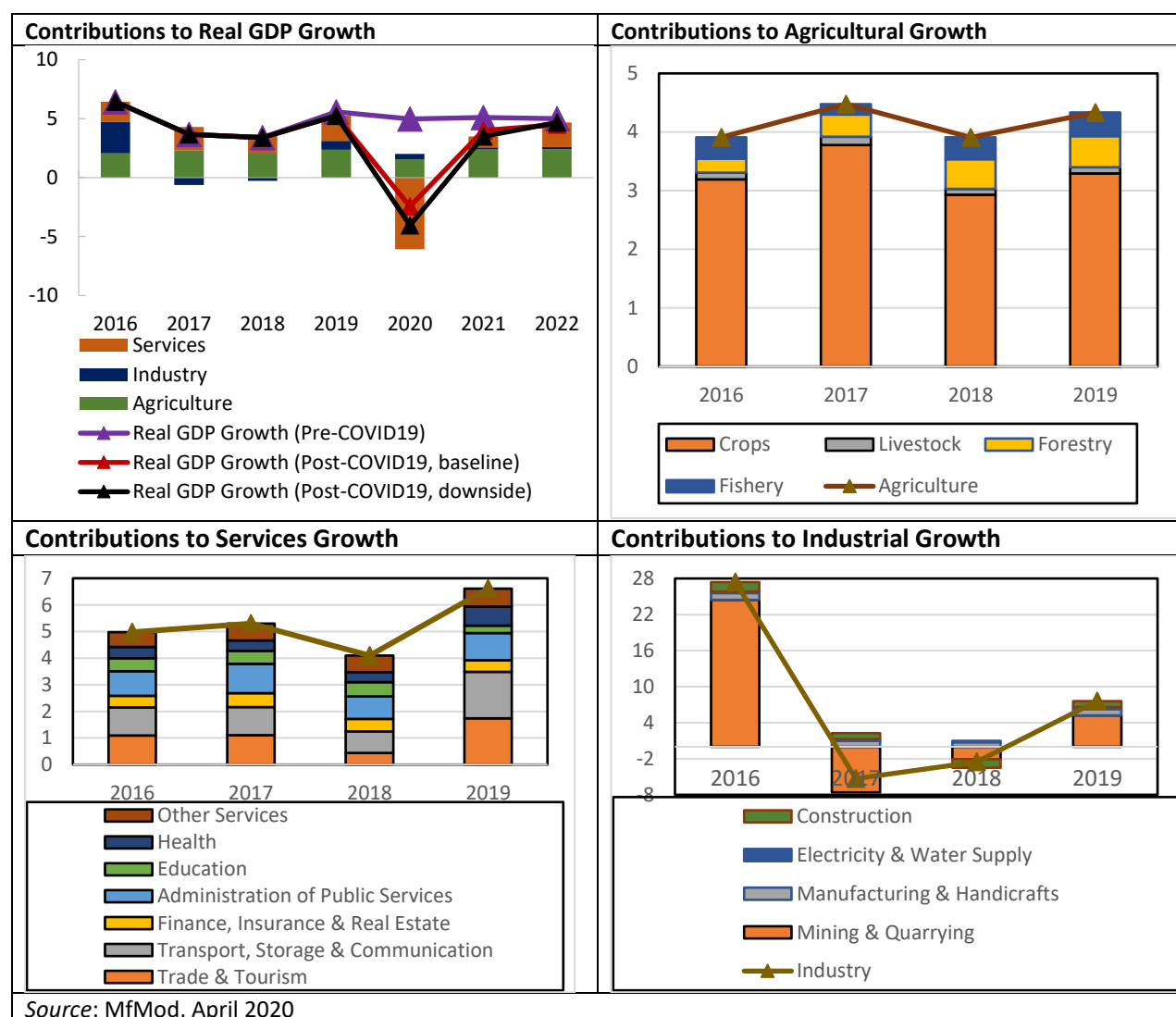
9. The shift in the sources of growth from the private to the public sector is not surprising given how much the government is doing to mitigate the impact of COVID-19 and support the economy. Based on its experience in the 2014 Ebola crisis, the Government had already taken some pre-emptive measures even before the COVID19 outbreak reached the country. After the first confirmed case on March 31, 2020, it

moved quickly to save lives and protect the people and firms most affected from income and job losses. Its measures included a comprehensive Contingency Plan (Le 13 billion, US$1.3 million); the establishment of Quarantine Centers at the main border crossing points; restrictions on public gatherings. and travel bans. The BLS also moved quickly, by (1) reducing the monetary policy rate by 150 basis points, to 15 percent; (2) providing Le500 billion (US$50 million) to finance procurement of essential goods; and (3) increasing the reserve requirement maintenance period from 14 to 28 days. Meanwhile, the World Bank approved a COVID-19 Emergency Preparedness and Response project (US$7.5 million) to support the country's contingency plan.

10. Before COVID-19, on the production side, growth was driven by services and agriculture. In 2019, services contributed 2.5 pp to aggregate growth and agriculture contributed 2.3 pp (Figure 1.4). Services had grown by 6.6 percent, supported by trade and tourism, transport, storage and communication, and administration of public services. Agricultural production increased by 4.5 percent, spurred by higher harvests of rice, cassava, and fruit. Export crops like cocoa, coffee, palm oil and kola-nut also contributed, but to a lesser extent. Despite growing at the fastest rate (7.6 percent) in 2019, industry contributed the least to GDP growth because its share in total output is small (10.2 percent). Industrial growth was the result of increased output in mining and quarrying, especially diamonds and iron ore.

Table 1.1: Economic Growth and Living Standards Before and After COVID-19, Annual Percent

Period	2010–12	2013–15	2016–19
Average GDP growth	10.75	1.56	4.77
TFP growth	-0.50	-1.60	-1.90
Capital growth	22.00	7.58	5.60
Capital growth contribution	6.60	2.27	1.68
Employment growth	2.60	2.82	2.78
Employment contribution	1.82	1.976	1.95
Standard of living:			
Average growth in GDP per capita	7.30	-0.70	2.60
Average capital growth per worker	19.40	4.75	2.82
Growth in household final consumption spending	9.18	4.74	7.87
Employment to population ratio, 15+, total	58.04	55.64	55.55

Source: MfMod, April 2020, WDI. Note: The labor share used is 70 percent.

11. Since the pandemic began, production has contracted sharply, especially in the services sector. Aggregate production is expected to be 4 percent lower in 2020. This recession is driven by a collapse in services as a result of COVID-19 lockdowns and barriers to the international mobility of goods and people. In 2020, output in services is expected to fall by 16 percent, cutting its contribution to GDP to 4.7 percent compared to 2018. The main drivers of the contraction in services include Trade & Tourism, Transport, Storage & Communication, and Finance, Insurance & Real Estate. With a share of 22.3 percent of services, the Trade and Tourism sector is expected to be severely affected by the COVID-19 travel restrictions and containment measures. The Transport, Storage and Communication sector, which represents 20.6 percent of services will also be vulnerable to COVID-19. With a share of 11.1 percent of services, the Finance, Insurance & Real Estate sector will also be affected by COVID-19 restrictions measures but to a lesser extent. Similarly, the contribution of agriculture to aggregate production is projected to fall from 2.3 percent in 2019 to just 1.5 percent, and the contribution of industry from 0.8 percent in 2019 to 0.4 percent. If the pandemic is short-lived, potential output will continue to grow by 2.1 percent in 2020, but even in this
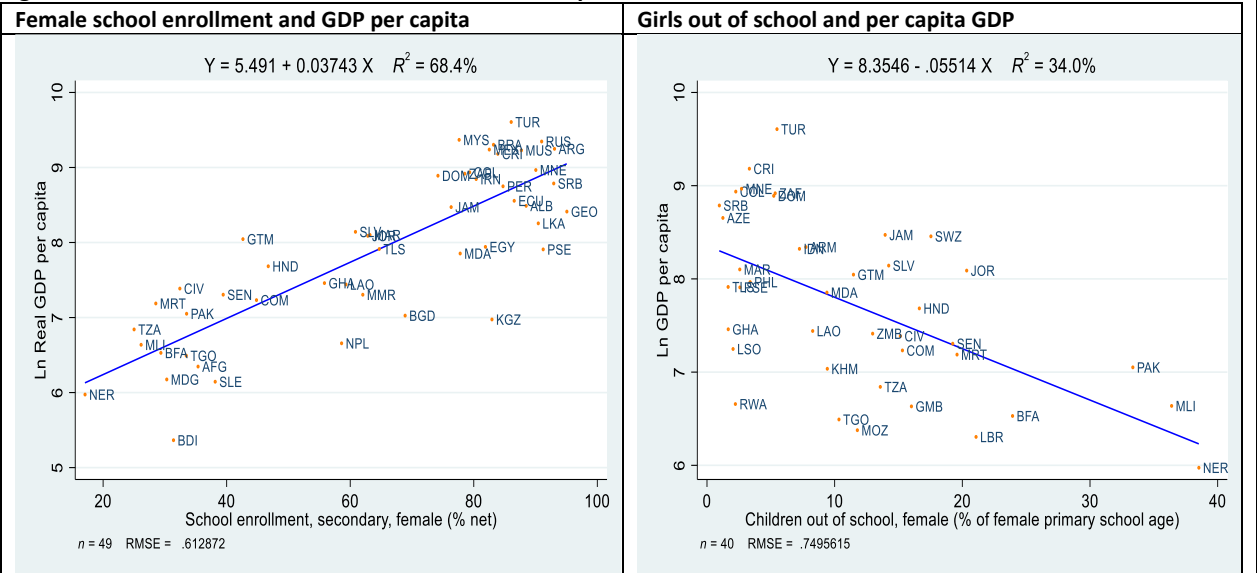
scenario, actual output will shrink by 4 percent, leading the output gap to decline by 5.9 pp of potential output (Figure 1.3).

Box 1.1: Education and Income per Capita: A Cross-country Analysis

Education has long been an engine of economic growth and rising per capita income. Both within-country and cross-country evidence shows that education is good for raising potential output over the medium to long term in both closed and open economies. Education increases total factor productivity and the return to domestic investment and improves the quality of the labor force. In an open world, education is a key ingredient for technology transfer and adaptation, as the Asian tigers) demonstrate and for attracting foreign direct and portfolio investments. Furthermore, education helps reduce both inequality, especially inequality of opportunity, and poverty. Similarly, education helps narrow gender gaps and empowers the most vulnerable groups of the population, among them women.

Female education is an especially important driver of income per capita and economic development. African countries that have successfully increased female school enrollment include Mauritius (with a net secondary school enrollment rate of 87.6 percent), Seychelles (84.4 percent), South Africa (78.5 percent), and Ghana (55.8 percent). Sierra Leone's rate of female net enrollment in secondary is only 38.1 percent. Using the latest available data, Figure B1.1 shows simple correlations between female education and income per capita for a sample of low- and middle-income countries: countries with higher female school enrollment tend to have higher incomes per capita. The regression line in panel A suggests that a 10 percent increase in the female secondary enrollment is associated with a 0.3 percent increase in income per capita. Furthermore, keeping girls out of school has serious adverse implications for economic development. Panel B shows the negative correlation between the percentage of female children out of school and income per capita, which suggests that reducing the rate of female children out of school by 10 percent would lead to a 0.5 percent increase in GDP per capita.

Figure B1.1: Female Education and Economic Development

Female school enrollment and GDP per capita	Girls out of school and per capita GDP

$Y = 5.491 + 0.03743 X \quad R^2 = 68.4\%$

$Y = 8.3546 - .05514 X \quad R^2 = 34.0\%$

$n = 49 \quad RMSE = .612872$

$n = 40 \quad RMSE = .7495615$

Source: WDI, April 2020.

However, expanding access to basic education may come with risks of lower quality. As the experience of several African countries has shown, the main risks of an education for all strategy is a disproportionate focus on access to (the quantity of) education at the expense of education quality, learning, and job-skill matching. This may result in higher unemployment among educated people, which in turn may increase the likelihood of social unrest. Education for all also has a substantial fiscal cost and may imply higher deficits or reallocation of resources reallocations from other social sectors. Lessening these risks requires careful planning, learning from the successful experiences of other countries and ensuring better value for money in providing educational and other social services.

12. Even before the pandemic, Sierra Leone's growth was volatile and total factor productivity (TFP) was waning, with severe adverse implications for living standards. Growth in the country has been unpredictable for the past two decades, with annual growth averaging 10.7 percent for 2010–12, 1.5 percent for 2013–15, and 4.7 percent for 2016–19 (Table 1.1). Capital accumulation and TFP growth have driven growth of the economy. During the 2010–12 period, the stock of capital grew at an average annual rate of 22 percent, then over the next three years, this rate declined by 15 pp, and then in 2016 − 29 by another 2 pp. The contribution of capital to growth also plunged during the 2013–15 recession and has not yet recovered. With an average annual growth of −0.5 percent, TFP was already on a downward trajectory before the Ebola crisis, and continued on through and beyond that crisis to its current 1.9 percent a year. This historical decline in TFP growth has had important implications for Sierra Leone living standards. Human capital achievements, especially education and health, are critical aspects of TFP growth. As described in Box 1.1, countries with higher school enrollment, especially for women and girls, also tend to have higher per capita incomes.[6] Between 2013 and 2015 average annual growth of income per capita fell by more than 7 pp; between 2016 and 2019 it rebounded by an average of 3.3 pp, but income per capita is still below what it was before the Ebola crisis. The rebound was the result of the V-shaped recovery in 2016. Growth in 2016 reached 6.3 percent, compared with −20.5 percent in 2015. Similarly, the Ebola crisis drove down employment and household spending on consumption. Between 2010–12 and 2013–15 the employment rate declined from 58 to 55.6 percent and growth in household final consumption growth slowed from 9.2 to 4.7 percent. The post-crisis employment rate (55.5 percent) and growth in household consumption growth are still below their pre-Ebola crisis levels.

1.4. COVID-19 is reversing recent fiscal consolidation efforts.
13. A major problem for the Government is how to respond to the COVID-19 crisis while keeping fiscal policy over the medium term prudent to reduce Sierra Leona's large stock of arrears, build fiscal buffers, and preserve debt sustainability over the long term. Before the pandemic the country had made notable progress in strengthening the fiscal position. In 2019, the overall general government deficit was 3.6 percent of GDP, down from 5.7 percent in 2018 and 8.7 percent in 2017 (Figure 1.5). This fiscal balance improvement over time was primarily the result of higher domestic revenues. Total revenue as a ratio to GDP went up by 2 pp, reaching a record high 17.6 percent in 2019 before the pandemic. The improved revenue performance was mainly driven by nontax revenue and to a lesser extent by tax revenues and grants. The Government has been moving briskly to mobilize more domestic revenue; for instance, it has reviewed tax exemptions; expanded the new Treasury Single Account (TSA) to five more ministries, departments, and agencies (MDAs) in 2019; and upgraded the Electronic Cash Registers. The improved fiscal balance also reflected Government's continued efforts to rationalize public spending. Total spending in 2019, as a percentage of GDP, was estimated at 21.2 percent, down marginally from 21.3 percent in 2018. This slight reduction was primarily due to cuts in foreign-financed capital accumulation and contingent spending. Recent spending measures include: (i) the introduction of a public sector payroll verification exercise to contain the wage bill; (ii) publication of quarterly reports on the arrears of state-owned enterprises (SOEs) to reduce fiscal risks, and (iii) drafted a strategy to clear the current stock of arrears.

14. With COVID-19, the fiscal position of the central government is projected to deteriorate. The budget deficit is expected to jump from 2.9 percent of GDP in 2019 to 8.9 percent in 2020 (Figure 1.5). This steep increase in the net operating balance will come from higher spending and reduced revenues. Government revenue is projected to fall from 17.7 percent of GDP in 2019 to 15.3 percent, as a result of the 12.8percent drop in indirect taxes and the 28.5 percent drop in nontax revenues. Total spending is expected to go up by

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[6] The second part of this economic update will estimate the benefits to Sierra Leone of educating girls.

3.5 pp of GDP in 2020 largely because of a 86.1 percent surge in spending on goods and services; the unprecedented increase in this budget category reflects not only the government's initial Contingency Plan of Le 13 billion (or US$1.3 million) but also COVID-19 responses planned thereafter.

Figure 1.5: Fiscal Balance, Fiscal Stance, Fiscal Impulse, and Government Debt

General Government Balances, Percent of GDP

Legend:
- Net operating primary balance (in percent of GDP), pre-COVID19
- Adjusted primary NOB (in percent of potential output), pre-COVID19
- Net operating primary balance (in percent of GDP), post-COVID19
- Adjusted primary NOB (in percent of potential output), post-COVID19
- Output gap (in percent of potential output), post-COVID19

Fiscal Stance, Fiscal Impulse, and Government Debt

Legend:
- Ratio of Government Debt to GDP (right-side axis), pre-COVID19
- Ratio of Government Debt to GDP (right-side axis), post-COVID19
- Fiscal stance (left-side axis), post-COVID19
- Fiscal impulse (left-side axis), post-COVID19

Source: MfMod, April 2020

Figure 1.6: Indicators of PPG External Debt Under Alternative Scenarios, 2020–30

PV of debt-to GDP ratio

Most extreme shock is Combination

PV of debt-to-exports ratio

Most extreme shock is Exports

Debt service-to-exports ratio

Most extreme shock is Exports

Debt service-to-revenue ratio

Most extreme shock is Growth

Baseline — — — Historical scenario ———— Most extreme shock 1/ ———— Threshold

Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	No	No
Market Financing	n.a.	n.a.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	5	5

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Sierra Leonean authorities; and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (in any), while these are one-breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

15. The COVID-19 pandemic has set back the Government's recent fiscal consolidation gains. Before COVID-19, the fiscal deficit was narrowing. The fiscal stance was contractionary, with a wide range of measures to increase domestic revenue and rationalize expenditures. Between 2018–19, for instance, the fiscal stance increased from 1.6 pp and was projected to increase further by 3.8 percent in 2020 (Figure 1.5). The financial sector's claims on central government as a share of GDP declined from 13.1 percent in 2018 to 12.5 percent in 2019. Growth of broad money slowed despite the BSL's accommodation of the

government's financing needs. However, Government's borrowing from the BSL often takes the form of bridge loans in the expectation of disbursement of Official Development Assistance. Thus, fiscal dominance of monetary policy was already important given preexisting financing needs and the central government's limited access to external financing. Post-COVID19 projections show that while the fiscal impulse declined between 2018–19, it is now expected to increase considerably between 2019 and 2020, reflecting a more expansionary fiscal stance to respond to the crisis. In the scenario that COVID-19 is a temporary shock, fiscal policy will again become contractionary in 2021. Going forward, the government's fiscal adjustment should focus on revenue mobilization to minimize the need for spending cuts in the COVID-19 context.

16. Debt service, payment arrears, and the business cycle are weighing heavily on the government's fiscal position. Interest payments were already high before COVID-19. In 2019, the increase in interest payments slowed to 0.9 percent, down from 1.2 percent in 2018. Spending more on debt service is in part explained by worsening financial conditions as the average interest rate on external debt went up by 1.6 pp so that in 2019, interest payments were 5.2 percent of total revenue and 4.3 percent of total spending. As a result, the primary fiscal balance was 2 pp higher than the overall balance. Furthermore, the stock of domestic payment arrears is estimated at about 9.5 percent of non-iron ore GDP. Although many of the arrears were accrued in 2016 and 2017, their expected clearance is a notable compression of fiscal space. They are also likely to jeopardize financial stability given their possible impact on contractors' ability to service bank loans.

17. The pandemic will drive up public debt and threaten debt sustainability. Even before COVID-19, public debt had shot up. The ratio of government debt to GDP rose from 58.2 percent in 2018 to 66.9 percent in 2019, the largest increase since 2016; it was mainly the result of more domestic debt. While the ratio of external debt to GDP went up by 3 pp, the domestic debt ratio went up by 5 pp. In 2020 the government debt to GDP ratio is expected to more up 4.3 pp to 71 percent. With access to international markets limited, public debt will shift from external to domestic creditors. The external share of public debt in 2020 is projected at 70 percent, down 20.7 pp relative to 2019. Even in domestic financial markets, the adverse financial pressures will be severe. The average interest rate on external debt is projected to rise from 4.3 percent in 2019 to 7.6 percent in 2020 and on domestic debt is expected to increase by 12 pp.

18. The latest IMF-World Bank debt sustainability framework assessment was that Sierra Leone is at high risk of debt distress. In the baseline scenario, the external debt service-to-revenue ratio breaches the threshold by a small margin in 2022–23 (Figure 1.6); the present value of the external debt-to-GDP ratio is above it throughout the IMF-supported program; and the external debt service-to-revenue ratio substantially breaches it through 2029. By 2022 the public debt service-to-revenue ratio will nearly reach 49 percent before it begins a gradual fall. Sierra Leone is thus vulnerable to adverse shocks, while uncertainty related to mining clouds both export and growth prospects. Reducing debt calls for a comprehensive arrears clearance strategy, consistent with continued reduction of the budget deficit reduction, and supported by better management of public finances, reprioritization of expenditures, and continued efforts to mobilize more revenue. External borrowing should continue to be guided by the imperative of reducing the risk of debt distress. Debt sustainability is vulnerable to fiscal and extreme shocks to both growth and exports. Reducing the risk of debt distress requires sustained fiscal consolidation, sound public financial management (PFM), and careful prioritization of infrastructure projects. The quantity of public debt has sizable repercussions on the external sector given the link between the government's saving-investment balance and the current account balance, both in deficits.

1.5. External sector improved in 2019 but is expected to deteriorate in 2020

19. Sierra Leone's external position improved in 2019. The CAD declined from 18.8 percent in 2018 to 14.0 percent as the trade balance and net services payments improved. The merchandise trade deficit narrowed

slightly from 14.0 to 13.4 percent of GDP as exports rose and imports moderated as the currency depreciated. The 11.1 percent increase in net service payments as interest payments on external debts rose, was offset by a 14.7 percent reduction of net service payments as service-related imports fell.

20. Total exports moved up from US$639.2 million (15.6 percent of GDP) in 2018 to US$721.0 million (17.2 percent) in 2019 as mineral exports recovered and agricultural exports rose. Mineral exports went up from US$359 million to US$ 497.9 million on a jump in diamond exports and a brief resumption iron ore exports. Though iron ore exports had resumed in 2019, but production was stopped after just three shipments because of content between the Government and the Sierra Leone Mining Company Limited (SL Mining). Agricultural exports more than doubled during 2019 (Table A1) as production of palm oil, coffee, and cocoa intensified thanks to reflecting to new private sector investments and better support for farmers from both Government and the private sector.

21. Imports grew slightly, by 0.6 pp, to US$1,267 million (30.6 percent of GDP). Food and oil imports lessened, but there was an increase in other imports, especially manufactured goods and transportation equipment. Food imports declined (Table A1) because domestic food production increased, especially rice, cassava, maize, and fruits and vegetables. Liberalization of fuel prices has pushed up petroleum pump prices and slowed petroleum imports. Increased demand for manufactures and transportation equipment explain the increase in other imports.

22. Capital transfers and inflows to the financial account especially foreign direct and portfolio investments helped finance the CAD. Capital transfers increased by 0.7 pp to 2.7 percent of GDP because of grants for projects (Table A1). Foreign direct investment (FDI) and portfolio inflows rose from 6.1 percent of GDP in 2018 to 8.9 percent, mainly directed to agriculture, mining, and telecommunications. By yearend 2019 the external financing added US$13.5 million to central bank foreign exchange reserves, which then reached US$ 506 million, equivalent to 3.5 months of import cover.

Figure 1.7A: Leone/US$, 2017-19   **Figure 1.7B: Depreciation of Leone/US$, 2016–19, Percent**
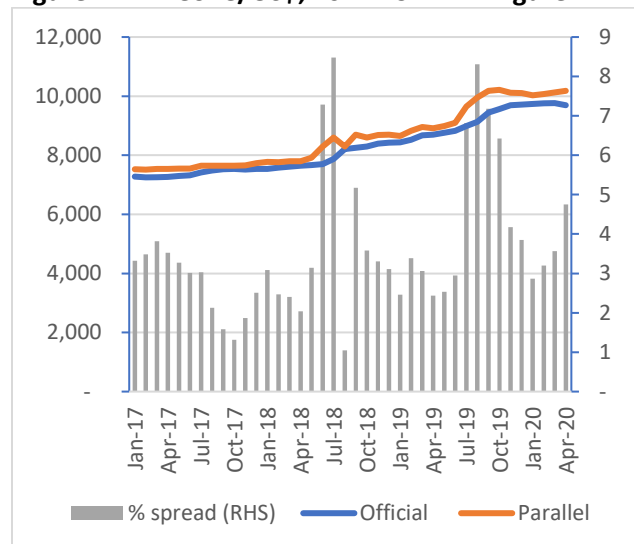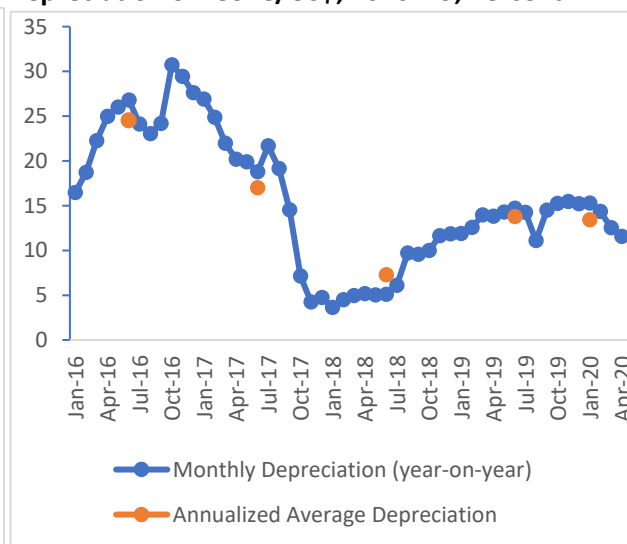
Source: BSL

23. The country's external position is expected to deteriorate in 2020. Disruption of global supply chains and social distancing to prevent infections has lowered demand for exports, especially from China and Europe, and reduced expected FDI as global economic activity slows. Merchandise exports are expected to decline from the forecast of 21.9 percent of GDP to 15.2 percent, and imports will go down slightly from

31.7 percent of GDP to 30.1 percent. As a result, the trade deficit would widen from the forecast of 9.8 percent of GDP to 16.0 percent. Similarly, the CAD is projected to widen from pre-COVID projection of 11.3 percent of GDP to 15.8 percent. FDI inflows will fall to US$176 million, 53 percent lower than in 2019. The loss of export earnings and less FDI coupled with the need to maintain essential food and medical imports, result in an estimated balance of payments need of US$214 million to preserve reserve coverage of 3 months of imports. Given the exceptional balance of payments needs, the authorities requested support from the IMF CCRT. The IMF responded with SDR 13.36 million (US$19.1 million) for debt service falling due from April 14 to October 13, 2020. An extension of 24 months is expected but depends on what resources the IMF has available; with the extension, the maximum potential debt service relief is SDR 58.25 million (about US$83.2 million). Government also requested an RCF from the IMF which was approved on June 3, 2020 allowing for the disbursement of SDR 103.7 million (US$143 million or 50 percent of quota) to help meet the urgent balance of payments and fiscal needs stemming from the COVID 19 pandemic.

24. The Leone continued to depreciate against the US dollar in 2019 because of higher import demand, especially for manufactures and transportation equipment. The situation was made worsened by the uncertainty in the mining sector after the export licenses of SL Mining were cancelled. In 2019, the Leone depreciated against the US dollar by 15.3 percent on the official market and 16.1 percent (year-on-year), on the parallel market, because demand for foreign exchange was heightened by lower-than-expected export receipts and donor inflows. Compared to 2018, exchange rate depreciation was more pronounced (Figure 1.8b) as speculative pressures were intensified by the uncertainty in mining, the country's largest foreign exchange earner. The average official-parallel market spread widened from 3.8 percent in 2018 to 6.0 percent in the second half of 2019 as demand in the parallel market responded to difficulties in obtaining foreign exchange from the banking system (Figure 1.7A). Persistent depreciation since 2016 has created expectations of future depreciation, which has intensified speculative hoarding of foreign currency (Figure 1.7B). Since the pandemic began, the situation has worsened: between January and April 2020 the Leone depreciated against the US dollar by 13.4 percent. To respond to the pressure on the exchange rate, the BSL issued two directives one restricting offshore trading of foreign exchange by nongovernmental organizations, and the other prohibiting both foreign currency-denominated contracts transfers between foreign currency accounts for payments for goods and services purchased locally. The BSL also carried out a few foreign exchange auctions to provide critical liquidity to facilitate imports of food and fuel and to prevent market pressures from destabilizing the already thin market. In March the BSL also banned foreign exchange street trading.

1.6. The financial system stayed stable and inflationary pressure eased slightly.

25. Though moderating, inflation is still in double digits. Food prices lowered by increased domestic food production partly explains the downward move of inflation. Annual average inflation has been trending down, from 18.2 percent in 2017 to 16.0 percent in 2018 and 14.8 percent in 2019, mainly because of the unexpected decline in food prices: food inflation plunged from 17.7 percent in 2018 to 8.8 percent in 2019. Monthly data for the first quarter of 2019 showed a jump in food inflation from 10.6 percent in January to the peak of 15.9 percent in March, because of food supply constraints early in the year, but beyond March, it reversed decisively, reaching 5.4 percent by yearend.

26. **Contrary to historical trends, in 2019 nonfood inflation was the biggest driver of headline inflation,** as fuel prices rose, as did electricity tariffs. Nonfood inflation climbed from 17.8 percent in January 2019 to peak at 21.3 percent in December, averaging 20.1 percent compared to 14.6 percent in 2018. Monthly nonfood prices went up across the board for all categories,[7] with the largest increases in housing and energy, health, education, transportation, and clothing and footwear. There wide disparities in inflation rates by

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[7] Based on the Classification of Individual Consumption by Purpose (COICOP).

region, with rates higher in the Western and Eastern regions, which comprise large cities like the capital, Freetown (West) and Kenema (East) (Figure 1.8B). In fact, inflation in the Western and Eastern Regions was higher than the national average in 2019. The Northern region had the largest decline in inflation, from 18.0 in December 2018 to 5.4 percent by yearend 2019, due largely to the lower food prices.
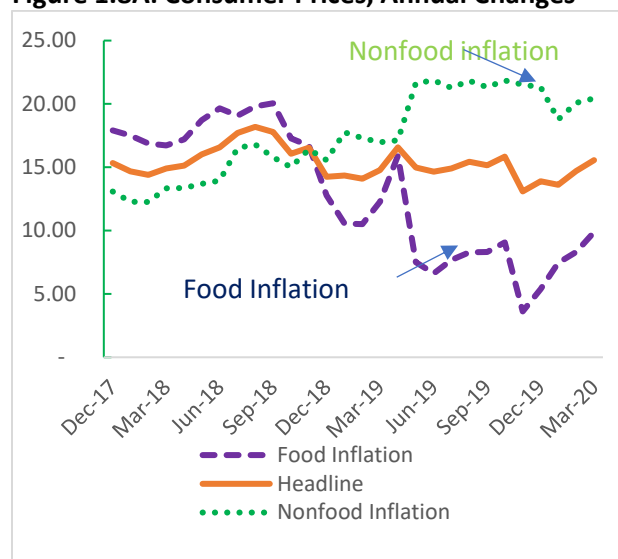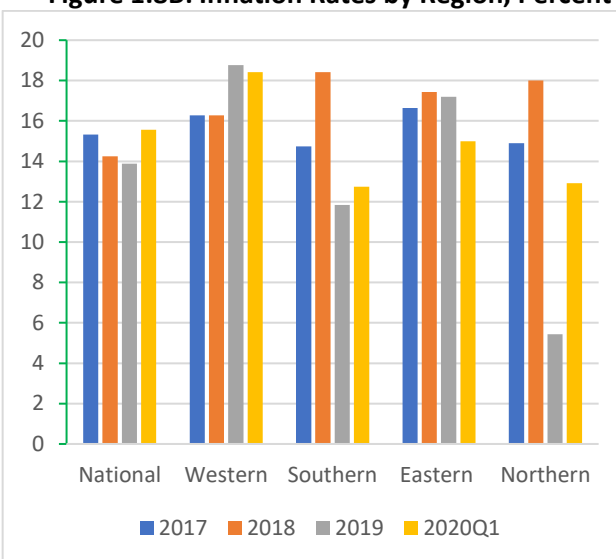
Figure 1.8A: Consumer Prices, Annual Changes   **Figure 1.8B: Inflation Rates by Region, Percent**

Source: Stats SL

27. Since the outbreak of COVID-19, there has been upward pressure on prices. Inflation increased to 15.7 percent in first quarter of 2020 (2020 Q1), as supply bottlenecks drove up food prices. Food inflation rose from 5.4 percent in December 2019 to 9.9 percent by April. However, nonfood inflation went down slightly, from 21.3 percent in December 2019 to 20.4 percent in 2020 Q1. Regionally, in 2020 Q1 inflation jumped in the North and South but went down in the West and East, though rates in the West were above the national average (Figure 1.8B). In response to the adverse impact of COVID-19 on the economy, the MPC on March 18 lowered its policy rate by 150 basis points, to 15 percent. The BSL launched its Le500 billion Special Credit Facility to stimulate aggregate demand and ease supply chain problems by supporting the production, procurement, and distribution of essential goods and services. To ease liquidity constraints in the money market, the BSL extended the reserve requirement maintenance period for commercial banks from 14 to 28 days, complemented it by active BSL participation in the secondary market,

28. To curb inflation, the BSL has kept monetary policy tight. After a 150-basis point increase in July 2018, the MPR was held at 16.5 percent throughout 2019 as the central bank weighed the risks of higher inflation and exchange rate depreciation against the impact of government fiscal consolidation efforts and the need to stimulate growth. The tight monetary stance pushed up money market rates, which remain high (Figure 1.9A). The interbank rate moved up from 16.6 percent in 2018 to 19.0 percent in 2019, and the interest rate on 365-day government paper rose from 23.2 percent to 25.1 percent. Commercial bank lending rates have been a high 25 percent since 2017, resulting in the spread between borrowing and savings rates that averages 19 percent. With the MPR unchanged, the rate on BSL's lending facility stayed at 20.5 percent. Money market liquidity was tight, as evidenced by persistent undersubscription in the primary market for government securities and an increase in the interbank rate, which continued to be above the MPR though in Q1 it moved down slightly to 18.0 percent. In support of money market operations, the BSL engaged in secondary market operations to provide liquidity to the banking system.

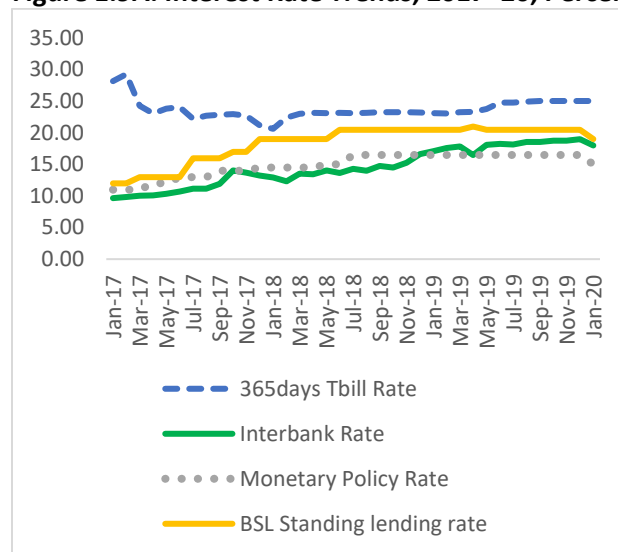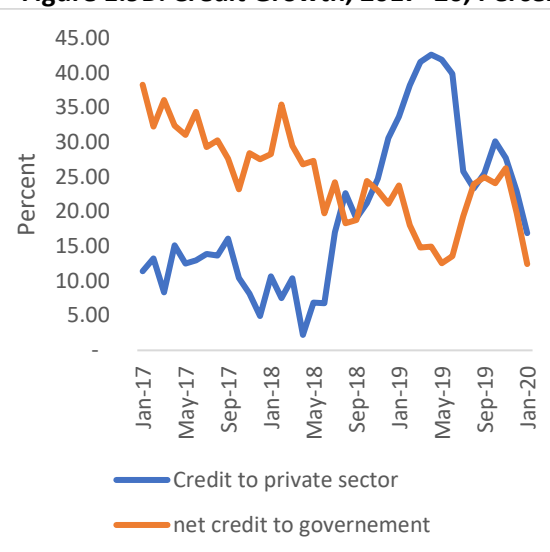**Figure 1.9A: Interest Rate Trends, 2017–20, Percent**

Legend:
- - - 365days Tbill Rate
— Interbank Rate
· · · · Monetary Policy Rate
— BSL Standing lending rate

Figure 1.9B: Credit Growth, 2017–20, Percent

Legend:
— Credit to private sector
— net credit to governement

Source: BSL

29. Despite BSL policy, in 2018–19, monetary aggregates continued to expand, broad money by an average of 14.6 percent and reserve money by an average of 7.2 percent, underscoring the weakness in transmission of monetary policy (Figure 1.10A). BSL inability to curtail the growth of monetary aggregates could be largely explained by the average 19.9 percent growth in net domestic assets in 2018–19, because of more credit to the private sector and substantial government borrowing from the banking system to finance deficits. The strong performance of the real sector supported continued improvement in credit to the private sector (Figure 1.9B), which averaged 32.0 percent, up from 14.9 percent in 2018. As in 2018 the largest share of private sector credit went to the retail trade and construction sectors (Figure 1.10B). Agriculture continued to receive the least credit; its share of total private credit has been declining for years. Unlike private credit, the growth rate of credit to government has decelerated, from an average of 24.7 percent in 2018 to 19.7 percent, supported by the fiscal consolidation (Figure 1.9B).

Figure 1.10A: Monetary Aggregates, 1/17–1/20, Percent
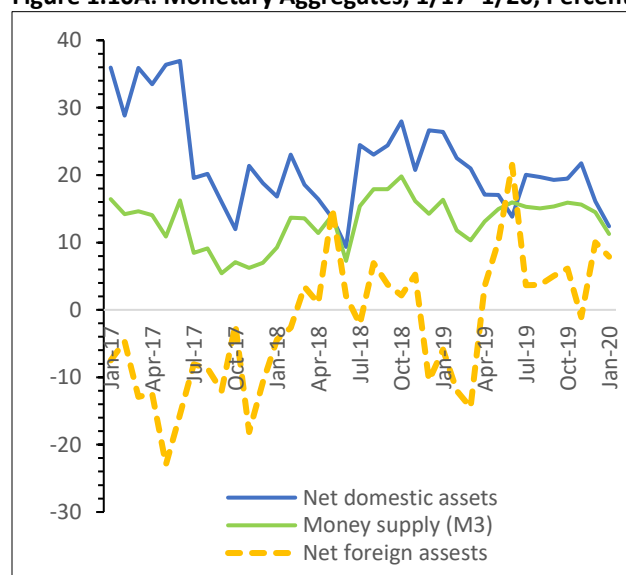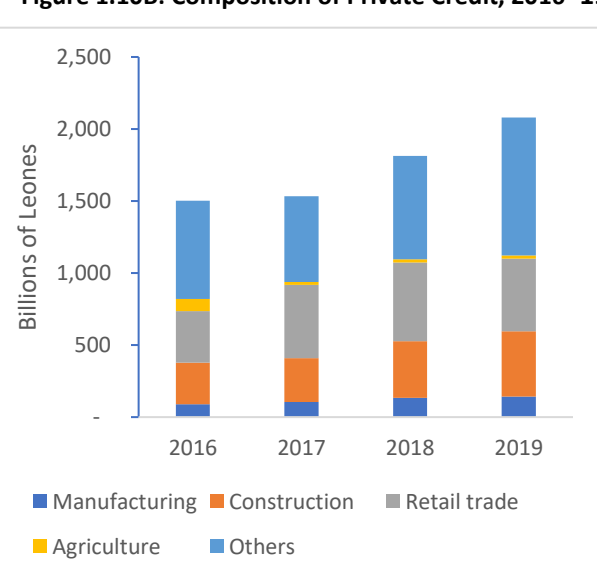

Legend:
— Net domestic assets
— Money supply (M3)
- - Net foreign assests

Figure 1.10B: Composition of Private Credit, 2016–19

Legend:
■ Manufacturing ■ Construction ■ Retail trade
■ Agriculture ■ Others

Source: BSL

30. In 2019 Sierra Leone's financial sector was stable, with banks well-capitalized and profitable (Table 1.2). The average capital adequacy ratio has been far above the 15 percent minimum and rose from 38.2 percent in 2018 to 40 percent in 2019 from 38.2 percent. Nonperforming loans (NPLs) have declined steadily from 22.7 percent in 2016 to 12.7 percent in 2018, a major drop even though further is still needed. NPLs increased to 16.6 percent in 2019. Financial sector profitability has also improved: return on assets increased to 6,1 percent and return on equity to27.3 percent with all banks recording pre-tax profits. However, the aggregate net foreign currency open position to capital has been negative and reached −12.8 percent in 2019, reflecting Sierra Leone's exposure to foreign currency as the exchange rate continued to depreciate. With close BSL scrutiny continuing, the two state-owned banks, which have longstanding asset problems, were profitable and adequately capitalized. The World Bank updated its Diagnostic Study of the two banks and recommended that both draft solid long-term business plans and adopt sound regulations for corporate governance. The authorities revised the Banking Act and the BSL Act in 2019 to strengthen oversight of financial institutions, address financial vulnerabilities and enhance the independence of the central bank.

31. Although the banking system is relatively stable, the impact of COVID-19 is likely to intensify financial sector stress as uncertainty raises the risks of loan defaults. This risk is amplified by high and rising bank NPLs (16.6 percent). The cashflow problems imposed by the pandemic and the necessary responses are likely to worsen the risk of loan defaults.

Table 1.2: Financial Soundness Indicators, 2016–19

	2016	2017	2018	2019
Indicator (percent)				
Capital adequacy ratio	30.7	34.1	38.4	41.73
Nonperforming loans to gross loans	22.7	14.6	12.7	16.62
Return on assets	2.9	5.3	6.1	7.60
Return on equity	22.3	25.6	27.3	28.21
Overall liquidity ratio	85.5	66.9	67.9	107.9
Aggregate net open position, foreign exchange to capital	−2.0	−14.4	−12.8	−1.75
Memo:				
Total assets (Le' billion)	6,333.2	7,433.0	8,549.1	9,497.90
Total deposits (Le' billion)	5,076.2	5,275.0	6,110.5	6,758.63
Capital base (Le' billion)	635.25	938.4	1,193.1	1,346.02
Gross loans and advances (Le' billion)	1,502.4	1,534.5	1,813.3	2,079.47
Of which: Manufacturing	88.83	104.03	134.73	143.80
Construction	290.02	305.00	393.43	451.51
Retail Trade	357.95	509.771	544.81	504.47
Agriculture	84.00	19.38	22.97	23.02
Others	681.59	596.27	717.38	956.68

Source: BSL

1.8. Economic Impact of COVID-19, Outlook and Risks

Evolution of COVID-19 in Sierra Leone

32. Sierra Leone recorded its first case of COVID-19 on March 30, 2020 and the number of infected cases has been on the rise since then. As at 24th June 2020, there were 1,354 confirmed COVID-19 cases, 56 deaths and 869 recoveries in Sierra Leone. The overall infection rate is 17.7 cases/ 100,000 population while the case fatality rate is estimated at 4.1 percent. Total number of COVID-19 tests conducted to date is 10,181 (1.33/1000 population). Health workers have been heavily exposed to the disease with 11.1 percent (151 persons) of the total COVID-19 cases. In terms of geographical spread, Western Area Urban is the epicenter of the outbreak with 729 (53.8 percent) cases reported in the district. The median age of infected persons is 33 years while 50.3 percent (681 persons) of the total COVID-19 cases are female. Nearly two thirds of the cases (876 persons) are aged 15-44 years, while 24.3 percent (330 persons) are aged 45 years and above. The mean age of COVID-19 related deaths is 59 years old. Similar to global trends, the case fatality rate increases with age and peaks among persons aged over 60 years (25.2 percent). 86 percent (43 persons) of deaths are among persons aged 45 years and older.

Table 1.3: Summary of COVID-19 Cases in Sierra Leone as at 11th June 2020

Districts	Confirmed Cases			Deaths		Days since last confirmed Case
	New Cases	Cumulative Cases	% of Total Cases	New Deaths	Cumulative Deaths	
Western Area Urban	5	729	53.8%	1	44	0
Western Area Rural	0	165	12.2%	0	1	1
Port Loko	0	25	1.8%	0	0	7
Kenema	0	101	7.5%	0	4	5
Tonkolili	0	43	3.2%	0	0	1
Bombali	0	28	2.1%	0	4	6
Bonthe	0	44	3.2%	0	0	2
Bo	0	76	5.6%	0	2	1
Koinadugu	0	7	0.5%	0	0	4
Falaba	0	4	0.3%	0	0	25
Kailahun	1	23	1.7%	0	0	0
Moyamba	1	22	1.6%	0	0	0
Pujehun	0	7	0.5%	0	0	20
Kono	0	55	4.1%	0	1	3
Kambia	0	25	1.8%	0	0	3
Total	**7**	**1354**	**100%**	**1**	**56**	**–**

Source: Sierra Ministry of Health and Sanitation COVID-19 Situational Report No.86

Economic Impact in 2020, and Medium-Term Outlook

33. The COVID-19 pandemic and the outbreak in Sierra Leone have darkened the country's medium-term growth prospects. Previously, growth was projected to slow to 4.3 percent in 2020 and to average 4.8 percent through 2022). With the COVID-19 crisis and the related uncertainties, economic growth could be

2.3–4.0 pp lower than the pre-COVID-19 forecast. The outlook is predicated on heightened downside risk, depending on the spread and duration of the pandemic globally and how they will affect the opening of borders and markets for Sierra Leone exports and essential imports, especially food. An extended crisis and limited inventories could both precipitate a food security crisis and cause major disruptions in services— trade, tourism, and transportation in particular—with substantial job losses and deeper poverty. Should these risks materialize amidst the deepest global recession since the Second World War, the medium-term growth prospects could be much worse, to the point of an extended recession through the medium term. With quick resolution of the pandemic, economic growth is projected to rebound in 2021–22, averaging 4.1 to 4.3 percent, based on recovery in agriculture, services, construction and mining. With such a growth trajectory, GDP per capita would contract by 4.3– 6.0 percent in 2020 but then go up by an average of 2.0– 2.2 percent in 2021–22. Given the local COVID-19 outbreak, progress on poverty reduction is likely to be halted this year, with the proportion of poor households living below the international poverty line of US$1.90/day (2011 PPP) staying flat at 39 percent through 2022.

Box 1: Forecast Scenarios and Assumptions

Two scenarios (baseline and downside) were assumed in the forecasts. Both scenarios considered the evolution of the pandemic, the government's response and the spillovers and the growth impact of financial market volatility were also considered. These included assumptions for global growth, oil prices, and growth in China, the Euro Area, and the United States.

Baseline Scenario (a quick resolution)
The baseline scenario is more optimistic and assumes that three months of mitigation measures would be sufficient to stem the pandemic in the first half of 2020. This would put considerable strain on households and smaller firms that do not have access to finance. A recovery would get underway once mitigation measures are lifted but, large-scale fiscal and monetary policy support would be moderate. Once mitigation measures are fully lifted, however, this would be followed by a rebound in global growth in 2021. Once employment picks up, household consumption would pick up gradually. However, firms would hold back on investment until they are confident about a robust recovery. International travel would resume, though very gradually.

Downside Scenario (An extended crisis)
In the downside scenario, three months of mitigation would be insufficient to stem the pandemic which could continue to spread into the second half of 2020. About six or more months of mitigation would be required to bring the pandemic under control. Mitigation measures would only be eased gradually during the second half of 2020. Despite fiscal policy support, vulnerable firms would exit, vulnerable households would sharply curtail consumption, and travel would remain sluggish or almost zero. The recovery that follows would be sluggish.

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34. COVID-19 could hit agriculture hard in 2020. Social distancing and partial lockdowns have affected land preparation and disrupted the cropping calendar. Supply chain disruptions are also expected to affect food production and food availability through (1) disruptions in supplies of such critical inputs as seeds, fertilizers, equipment, and veterinary medicines; and (2) inability of domestic producers to reach consumer markets due to transport and movement restrictions. As a result, the growth rate of agricultural valued-added is projected to slow from 4.2 percent pre-COVID-19 to 3.4 percent. Because the local food production system is so labor-intensive, worker isolation and illness could further push down food production and put upward pressure on local food prices. In 2021–22, post-COVID-19, agriculture is projected to rebound to average growth of 4.3 percent, based on robust growth in the crop and fishery outputs as both subsectors benefit

from continuing reforms to enhance private sector delivery of inputs to farmers and better management of fisheries responding to new regulations designed to both maximize revenue and ensure sustainability.

Table 1.4: Medium-term Outlook, 2019 – 22, Percent

	2019	2020			2021			2022		
		Initial	Base	Down	Initial	Base	Down	Initial	Base	Down
Real GDP growth	5.1	4.8	−2.3	−4.0	4.9	4.0	3.5	4.9	4.7	4.5
Inflation (average)	14.8	15.7	15.3	16.0	13.0	12.3	13.0	11.1	10.5	11.5
Fiscal deficit	−2.9	−3.4	−5.3	−8.6	−4.0	−5.4	−6.1	−3.6	−3.9	−4.5
Current account deficit	−14.0	−11.4	−14.2	−16.9	−10.1	−12.4	−14.4	−9.6	−11.6	−13.7

Source: World Bank staff estimates and projections,

35. Services, the sector hit hardest by COVID-19, and is expected to contract by 12.6 to 16.0 percent by yearend. Travel restrictions, flight cancellations and quarantine measures have reduced tourist arrivals and hotel occupancy levels to almost zero, leading to contractions in trade and tourism. Reduced air travel due to the fear of contagion and travel restrictions to avoid infected countries have disrupted local transport and eroded the livelihoods of informal workers. However, post-COVID-19 the services sector is expected to rebound, growing in 2021–22 by an average of 4.6 to 5.1 percent. The recovery would benefit from gradual improvements in trade and tourism, transport and communication and banking and finance. Government initiatives to promote Sierra Leone as an attractive tourist and investment destination should then pay off, giving an invigorating boost to trade and tourism. Transport and communication are also expected to recover, supported by the resumption of efforts to expand the national fiber optic backbone and increased investment by telecoms companies to migrate to 4G mobile technology. Financial services will also by stimulated by implementation of the national switch to allow for interoperability of various payment devices. The resumption of free education and health programs should also support the expansion of government services and stimulate economic activity.

36. In 2020 the growth rate of industry is projected to decelerate from 7.6 to 4.5 percent, mainly because of disruptions in mining as the recession hobbles global demand for commodities. The sector's post-COVID-19 recovery is expected to be slow because industrial activity is so capital-intensive, with growth in 2021–22 averaging just 1.6 percent. Iron ore production is expected to remain depressed until those mining–government disagreements are resolved. However, after the pandemic, diamond, rutile and other mining are forecast to improve gradually. However, construction is expected to remain subdued due to depressed investment, both public and private.

37. On the demand side, the 30 percent contraction of gross fixed capital formation in 2020 largely explains the shrinking economy. Despite rising inflationary pressures, private consumption growth is projected to rise from 3.0 in 2019 by 4.0 percent in 2020 as households increase spending on essential goods. Government consumption will go up to 11.3 percent because of higher spending on health-related goods and services. Post-COVID-19, private consumption will pick up in 2021–22 to average growth of 10 percent, based on robust agricultural output, a gradual reduction in inflation, and a steady surge in credit to the private sector. Despite the expected resumption of fiscal consolidation efforts, Government consumption growth average 20 percent in 2021–22 as health sector spending remains high. In the medium term, gross fixed investments will continue to be depressed, contracting by 3 percent on average.

38. The supply shocks associated with COVID-19 are expected to worsen inflationary pressures in 2020. In 2020 Q1, higher demand for essential imports—especially for the food related imports that accounted for 19 percent of 2019 imports—pushed up food inflation from 5.4 to 9.9 percent. Also, in Q1, headline inflation (annual average) went up from 14.8 percent in 2019 to 15.6 percent. However, by 2022, headline inflation is expected to moderate to 10.5 percent, supported by tight monetary policy, recovery of domestic food production, and exchange rate stability. Strong domestic food production in 2021–22 will help dampen domestic inflationary pressures and sustain the downward path of headline inflation. The BSL is also expected to return to a tight monetary policy, which if complemented by fiscal consolidation could further reduce inflation.

39. The pre-COVID fiscal deficit was projected to decline to 3.6 percent of GDP predicated on effective fiscal consolidation. However, the outbreak has had high fiscal costs. Depressed economic activity will reduce revenue from and corporate and personal income tax, which together, represent more than 60 percent of tax revenue and the tax on goods and services. Reduced trade flows will in turn reduce the tax on international trade. Overall, government revenue in 20120is will go down, by 1 pp of GDP to 16.7 percent of GDP. As for spending, the cost of supporting health system surveillance, isolation, and treatment of those affected by the disease will jump, widening the fiscal deficit in 2020 by 2.4 pp to a projected 5.3 percent GDP. If the local COVID-19 outbreak is prolonged, the deficit could rise to 8.6 percent of GDP.

40. Fiscal consolidation is expected to resume after the COVID-19 crisis abates. Resumption is expected to narrow the fiscal deficit to 3.9 percent of GDP by 2022, based on vigorous revenue mobilization and better management of expenditures, including new PFM regulations, because of the IMF ECF program. The adjustment assumes continuation and reinforcement of policy actions introduced in 2018/19 and introduction of additional measures after the pandemic ends. Adoption of the TSA and the ECOWAS Common External Tariff (CET), using the Integrated Tax Administration System (ITAS) to automate customs and tax processes; and streamlining the process for granting tax and duty waivers by 2022 would increase domestic revenue to 16.0 percent of GDP. Meanwhile, by 2022 total spending is expected to be held at 22.0 percent of GDP, a marginal increase of 0.6 pp over the medium-term. The Government is expected to continue the 2018 fuel liberalization policy and PFM reforms to improve fiscal responsibility and flexibility and avoid further accumulation of arrears. The authorities have already begun to apply the 2018 PFM regulations, which include the comprehensive PFM Strategy 2018–21 to deepen reforms in all relevant areas. The new public sector payroll verification exercise will help contain the wage bill, and publication of quarterly reports on the arrears of SOEs arrears will help to lessen fiscal risks.

41. With fiscal consolidation, the debt situation is expected to stabilize over the medium term. With the authorities' commitment to resume fiscal consolidation efforts post-COVID-19, including clearance of the large stock of arrears, the risk of debt distress could abate from 'high' to 'moderate' as deficit reduction efforts gain momentum in 2021–22. The anticipated improvements in revenues, sound PFM management, and prudent domestic and external borrowing policies would be critical to better managing debt.

42. COVID-19 is expected to have serious effects on Sierra Leone's external position is expected. it is already affected by the slowdown in economic activity in its main trading partners, Europe and China.[8] Domestically, since the outbreak began March 2020, trade and tourism activities are being further reduced. Demand for the country's exports, and their prices, are expected to collapse and border closures will be barriers to imports. As a result, the CAD is projected to reach 14.2 to 16.9 percent of GDP. The COVID-19 outbreak could also lead to a collapse of international financial flows, especially FDI and portfolio flows as

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[8] In 2014 201 8, Sierra Leone's goods export to the Euro Area averaged 25.6 percent and to China 19.3 percent.

well as remittances, burdening the Leone and exacerbating inflationary pressures. The estimated additional balance of payments (BOP) financing need is 2020 is about US$53 million.

43. Post-COVID-19, external sector performance is expected to improve as the global economy gradually recovers. By 2022 the CAD is projected to narrow gradually, reaching 11.6–13.7 percent of GDP as of mineral exports recover owing to the expected increase international prices for metals as global demand picks up. Agricultural exports (palm oil, coffee, and cocoa) are also expected to recover with the anticipated stability in global prices of agricultural products and FDI flows to Sierra Leone's agriculture sector. Imports are expected to improve as aggregate demand rebounds, but higher domestic production will reduce food imports. The expected increase in export earnings will allow BSL to rebuild reserves and help to stabilize the exchange rate. Inflows on the financial account, especially FDI in agriculture, telecoms and mining. will help to reduce the BOP financing gap to zero by 2022.

Risks to the Outlook

44. COVID-19 and related uncertainties are tilting all risks to economic performance to the downside. The high risks of domestic and external imbalances are now compounded by the risks of a global recession precipitated by the pandemic. The main domestic macroeconomic risks relate to the magnitude of domestic payment arrears and the possibility of fiscal slippages and financial sector weaknesses. The main external are lower demand and prices for Sierra Leone's exports due to a global economic slump precipitated by the pandemic and to trade tensions. Lower than anticipated FDI is also a risk

45. First, the recently verified stock of domestic arrears weighs heavily on public finances and could complicate fiscal consolidation. Domestic payment arrears total Le 3.3 trillion (8.7 percent of GDP), of which 90 percent were accrued in 2016 and 2017. The arrears consist chiefly of bills unpaid by ministries, departments and agencies in the road, security and energy sectors, and unpaid Ministry of Finance (MoF) checks. Since April 2018 another Le 461 billion in unpaid MoF checks has accrued. Clearing this much in arrears when fiscal space is very limited is the biggest challenge to the Government's budget and heightens the risk of fiscal slippage because of pressure from creditors.

46. Second, COVID-19 has disrupted the fiscal consolidation program by mobilizing less revenue and preventing debt reduction through smaller fiscal deficits and a shift to primary surpluses. The resulting increase in deficit financing could further crowd out private sector investments. Spending pressures could be heightened by health sector-related interventions, the high arrears and wage bill, and the Government's flagship free education program. The baseline assumes that the Government will adhere to its planned medium-term fiscal consolidation targets in 2021–22. However, unexpectedly large deficits could bet a major downside risk to the outlook because higher government borrowing would crowd out credit to the private sector, adversely impacting private sector investment. With interest payments on domestic debt already high, the rising debt service cost could impose additional fiscal pressures.

47. Third, the weakness of the two state-owned banks could jeopardize both financial sector stability and the growth outlook over the medium term because of high lending rates, poor asset quality, and minimal liquidity. The risk of loan defaults has been amplified with the high and increasing levels of NPLs. As businesses deal with depleted cash flow during the pandemic due to lower sales, the risk of loan defaults will rise. The high cost of funds—in a risky lending environment featuring macroeconomic imbalances—is the primary challenge to private investment and bank growth.

48. Fourth, softening demand and prices for Sierra Leone's exports could worsen the terms of trade and limit exports, threatening growth and the country's external position. Quarantines and travel restrictions

to limit the spread of COVID-19 could severely disrupt global trade and economic activity and hurt economies like Sierra Leone through both lower commodity prices and lower demand for such exports as iron ore. Even more worrisome is the domestic spread of the virus, which could cause the economy to collapse and deflect priorities away from the structural reforms necessary to spur growth, address health concerns, and the people. Moreover, the removal of fuel subsidies has allowed for automatic adjustment retail fuel prices to reflect changes in global crude oil prices and the exchange rate, thus compounding inflationary pressures.

49. Finally, lower than anticipated FDI, perhaps deterred by disagreements between the Government and some mining companies, could create more uncertainty. Lower FDI inflows could also reduce financing of the CAD and require a drawdown of reserves, thus adding pressure on the exchange rate. Further exchange rate depreciation could complicate the authorities' disinflation and poverty reduction efforts.

50. On the upside, several factors not considered in the baseline could provide pleasant surprises, speeding a quicker and more robust economic rebound in 2021–22. These include speedy resolution of disputes in the mining sector, strong public-private dialogue to address business bottlenecks; fast-tracked structural reforms in agriculture, energy, and business environment; and a better than expected global economic recovery, with increased demand for commodities, including iron ore. Were any of these to materialize, the post-COIVD-19 growth outlook could improve.

1.9 Government's Policy Response to the Pandemic

To respond to burgeoning macroeconomic risks and issues, the Government has in place the Quick Action Economic Response Programme (QAERP) in addition to its health sector Covid-19 Preparedness and Response Plan. The QAERP has five broad pillars directed to the objective of maintaining macroeconomic and financial stability and mitigating the impact of the COVID-19 shock on businesses and households. Specifically, the pillars of the QAERP are to

1. Build and maintain an adequate stock of essential commodities at stable prices.
2. Provide support to the hardest-hit businesses to enable them to continue operations, avert employee lay-offs, and reduce NPLs.
3. Provide vulnerable groups with safety nets.
4. Support labor-based public works.
5. Provide assistance for local production and processing of staple foods.

Government estimates the cost of the QAERP to be from US$166.5 million to US$379.5 million in a variety of scenarios. Accordingly, the total financing gap ranges from US$161.3 million to US$309.4 million. In line the with the QAERP, the BSL has reduced the monetary policy rate by 150 bps to 15 percent to stimulate credit supply, created a US$50 million special credit facility to support production, procurement, and distribution of essential goods, and extended the reserve requirement maintenance period to ease tight liquidity. BSL also intends to provide foreign exchange resources to avoid disruptions to imports. The Government Health Preparedness and Response plan covers surveillance, case management, medical supplies and laboratory costs as well as communication and coordination. Government has also increased cash transfers to persons with disabilities and other extreme poor citizens during national lockdowns in April and May 2020. Table 1.5 summarizes Government's policy response so far.

Policy priorities for reinforcing crisis response and medium-term recovery

51. Government policies should focus on short-term measures to reinforce crisis response and medium-term measures to facilitate economic recovery. In the short term, the authorities should focus on three pillars: building health sector resilience, protecting poor and vulnerable groups, and keeping the economy

stable. Building up the health sector should be accompanied by sound economic policies that are financially feasible (securely funded) and socially acceptable (with a balance of compensatory measures for people and businesses). The authorities should prioritize ensuring that there is fiscal space for spending on public health to expand capacity to test and treat critically ill patients and provide free or subsidized preventive as well as curative care (WHO 2017). The second priority should be direct income support to vulnerable populations through, e.g., cash transfers, especially during quarantine and lockdowns. To maintain macroeconomic stability the authorities should provide targeted, strategic support to the productive sectors of the economy through realistic instruments as fiscal space allows. The QAERP provides a solid basis for short-term expression of these policy priorities. Medium-term policy measures should give priority to (1) structural reforms to accelerate inclusive economic growth and (2) fiscal consolidation and prudent monetary policy to ensure macroeconomic stability.

Table 1.5: Government Policy Responses and Additional Options

Policy Responses Announced	Policy Responses to be Considered
Health-related measures: Government has prepared a detail Contingency Plan and established Quarantine Centers at the main border crossings. Treatment centers have been established in key urban areas. There were 3-day national lockdowns in April and in May. Other measures included inter-district lockdowns, compulsory face masks, and nighttime curfews. **Fiscal Measures**: The QAERP has five broad pillars with an estimated financing cost between US$166.5 million and US$379.5 million depending on the scenarios. **Monetary policies**: The Bank of Sierra Leone (BSL) has since March 2 • issued directives banning street trading of foreign exchange as pressure on the Leone intensified. • reduced the monetary policy rate by 150 basis points to 15%. • provided a Le500 billion (about US$50 million) to finance procurement of essential goods. • Increased the reserve requirement maintenance period from 14 to 28 days. **Social Protection**: Government provided cash transfers to persons with disabilities and other extremely poor persons during the national lockdowns in April and May 2020. **Other policies**: In line with the liberalization of domestic fuel prices, Government announced two fuel price reductions as global crude oil prices fell resulting in a 22 percent cumulative price reduces.	**Health**: Sustain COVID-19 health policies (such as mandatory quarantine, inter-district lockdowns, school closures, wearing face masks in public, hand washing, social distancing, and a nighttime curfew) until the infection rate to is brought to zero. Continue to engage development partners to strengthen the contingency plan and improve the health policy response. **Fiscal Policy**: Create fiscal space for spending more on public health. Provide targeted and strategic support to the productive sectors of the economy. Review and re-program the development budget to reduce budgeted financing. **Monetary Policy**: Ease policy to support private sector credit and permit forbearance for defaulting letters of credit for traded goods. Seek additional IMF balance of payments support. Allow the exchange rate to be market determined by limiting central bank intervention. **Social Protection**: Allow existing social safety nets systems to work and expand their coverage by (1) relaxing eligibility requirements, (2) increasing benefit levels, and (3) extending benefit duration. **Other Policies**: Work in partnership with the private sector to discourage speculative behavior that could influence prices.

Short-term Policy Priorities

Building Health Sector Resilience

Table 1.6: Health Policy Measures

Policy Area	Recommendations
Enhance active case finding, contact tracing, and monitoring; quarantine of contacts and isolation of cases	• Align testing algorithm and case definition. Test a representative sample to gather reliable and unbiased information about COVID-19 prevalence. • Test for all known contacts, self-isolate, and quarantine as soon as possible. As a benchmark, China had up to 1,800 teams of five people each tracking every infected person, everyone they interacted with, then everyone each of those people interacted with and isolating all of them.[1] • Improve testing capacity by importing more test kits; encourage voluntary testing even for persons who may be ineligible (asymptomatic cases); and partner with private providers to test at a minimal fee individuals meeting the case definition. • Improve quarantine capabilities by identifying well in advance hotels and hostel facilities for every district or town. *Note:* (1)https://medium.com/@tomaspueyo/coronavirus-act-today-orpeople-will-die-f4d3d9cd99ca
Practice hand hygiene, respiratory etiquette, wearing of masks, and social distancing	• Enhance hand hygiene, particularly in informal settlements. This may include re-examining water rationing schedules, using alternative water delivery systems (e.g., water tankers), and giving water companies and boards resources to expand access to households. • Continue to mandate wearing masks in public places and provide guidance on appropriate use of masks through public education. Providing masks to all has been credited with reducing infections in China, Taiwan, Japan, and other countries.
Prepare for a surge in health care facility needs, including respiratory support and personal protective equipment (PPE)	• Provide health workers with a supportive work environment by, e.g., providing PPE, rooms to rest, and isolation facilities for those who choose to use them. Other incentives that should be provided include enhanced health and life insurance. • Coordinate management of workers in the designated COVID-19 health facilities to enhance efficiency, e.g., by pooling and distribution of limited numbers of specialized cadres. • Leverage the procurement expertise and capacity of the World Bank and UN agencies. To do so, consider pooling county, national, and perhaps regional procurement. • Improve distribution and accountability for facility use of PPE and other equipment. This necessitates prioritization of facilities or counties to receive these supplies. • Improve use of PPE through changes in the case management guidelines to incorporate guidance from WHO, CDC, and other agencies (e.g., when to use N95/FFP2/FFP3 masks or coveralls. • Activate local capacity for the manufacture of essential PPE, such as surgical/medical masks and disposable gowns.

Source: World Bank Staff/Kenya Economic Update Team.

52. The Government should sustain COVID-19 health policies—such as mandatory-quarantine, inter-district lockdowns, school closures, wearing face masks in public, hand washing, social distancing, and nighttime curfews—until the infection rate to is brought to zero. Wearing masks in public places, ensuring hand washing, and keeping social distancing are the least costly. With the country's healthcare system having been severely weakened by the Ebola epidemic, these policies both help the Government prevent the system from crumbling and buy time to invest more in hospital infrastructure such as setting up emergency treatment centers and temporary isolation facilities, increase the number of beds, and procure medical supplies, such as test-kits, drugs and ventilators. Increasing testing, contact tracing and isolation

should be combined with comprehensive collection of data on testing and contact tracing and extensive statistical analysis to prevent rapid spread and save lives through early detection. Table 1.6 summarizes health policies that could be adopted at relatively low cost and low operational complexity.

Protecting Poor and Vulnerable Groups

53. Using social assistance program to protecting poor and vulnerable households is central to income support to households during a crisis. The COVID-19 pandemic disproportionately affects the poorest and most vulnerable households, which do not have the resources to cope with the lockdowns and quarantines necessary to contain spread of the virus. Many poor rural households depend on farming; many poor urban households depend on self-employment and informal work. Few are covered by pensions and unemployment schemes, so for them restrictive containment measures are less effective. The authorities should give priority to allowing social safety nets systems to work and expanding their coverage by relaxing eligibility requirements, increasing benefit levels, and extending benefit duration. Sierra Leone's current social protection and social assistance program can easily be scaled up and coverage extended, something the Government is already doing. This program should be supplemented by mobile payment channels. In the absence of reliable social registry data, alternative targeting approaches such as data from mobile money service providers and household surveys could better identify and target the households most affected by the crisis; and deliver cash transfers through mobile money.

Maintaining Short-term Macroeconomic Stability

54. In developing countries macroeconomic recovery from the COVID-19 pandemic may involve both monetary and fiscal stimulus. Since in those countries monetary transmission tends to be weak and fiscal space is limited (in addition to small fiscal multiplier), demand-oriented macroeconomic policy may not be effective. Policymakers should instead concentrate on continuity of public services—including health care— and support to the vulnerable.

Monetary Stimulus

55. As long as the pandemic makes macroeconomic conditions difficult, easing monetary policy and exercising regulatory forbearance are essential. The BSL launched its monetary stimulus program in March 2020, when the MPC lowered the MPR by 150 basis points to 15 percent. However, high and rising headline inflation is narrowing the scope for further monetary stimulus. Moreover, the crisis is likely to increase loan defaults, a worrying situation compounded by the high NPLs in the banking system. Lower interest rates could stimulate private sector activity and help to ease the burden on businesses whose supply chains have been disrupted. It may also be appropriate to provide more liquidity support to banks likely to be affected by deteriorating credit quality or facing both funding pressure and urgent demand for short-term credit from SMEs and other firms. The BSL has already provided a special credit line to businesses of Le500 billion (about US$50 million), although uptake has been complicated by initial hurdles.[9] The BSL extended the reserve requirement maintenance period for commercial banks from 14 to 28 days, supported by active BSL participation in the secondary market. Regulatory forbearance on provisioning for restructured loans and offering borrowers flexible loan terms will be crucial for managing loan default risk.

Fiscal Stimulus Measures

56. Fiscal stimulus can help fill some of the gaps left by monetary policy. While monetary policy may be better equipped to provide liquidity to the economy, tax policies can readily provide either broad or targeted support to firms. Fiscal stimulus is more effective for delivering targeted support to firms,

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[9] BSL and commercial banks are yet to reach agreements on the loan interest rates and who is responsible for loan default risks.

particularly those hardest hit by the crisis, that find it difficult to access the financial system, or are not included in the tax system. It can also help avoid unnecessary tax distortions and reversal of hard-won improvements in revenue mobilization that could persist beyond the crisis. Government support to firms should be based on (1) firm financial conditions, especially those in the most affected sectors. such as tourism and trade (for example, as in Indonesia and the United States); (2) geographical locations of firms linked to their size ((for example, SMEs in France, Germany, and Spain); or (3) combinations of these methods, e.g., targeting firms whose sales have dropped by more than a 25 percent drop in sales and have fewer than (set a number) of employees. The following fiscal stimuli, typically temporary, can help overcome short-term difficulties:

- Keep viable firms alive and preserve jobs through cash support so they can maintain operational capacity and retain at least some workers;
- Temporarily lower the VAT rate in the worst affected sectors like travel, tourism, accommodation, and public events. Lowering VAT rates can also shore up demand by boosting household disposable income. However, this should have a sunset clause once activity returns to pre-crisis levels; and
- Review and reorganize the development budget to reduce budgeted needs as long as the fiscal position will be under heavy pressure due to the pandemic. This would allow the authorities to focus more strategically on high-impact projects, where bottlenecks could be addressed and committed funds from development partners unlocked.

Medium-term Policy Measures

Post-COVID Macroeconomic Reforms
57. If macroeconomic stability is to be enhanced and growth spurred for a robust rebound from the virus outbreak, Sierra Leone must sustain its fiscal consolidation reforms, clearing the huge stock of domestic arrears, improve debt management capacity and transparency, upgrade the efficacy of monetary policy, and deepen financial sector reforms.

58. Sustaining fiscal consolidation reforms is critical for macroeconomic stability. To better manage spending, the authorities should continue and deepen the reforms of the last two years. It will be important to control the wage bill to keep it at not more than 6 percent of GDP through payroll automation, biometric registration of all civil servants, and regular quality assurance checks. Public procurement reforms should continue to give priorities to measures that ensure efficiency, equity and value-for-money by, e.g., regular publication of price norms, limiting the use of sole-sourcing, and implementing e-procurement. To rationalize spending, it will be important to emphasize curtailing wasteful recurrent and extra-budgetary spending and making capital spending more efficient by ensuring that spending on essential infrastructure and social programs addresses barriers to growth while protecting the poorest. Government should also more thoroughly apply the PFM Strategy 2018–21 to deepen reforms especially in budget planning and execution; management of public investments and fiscal risks, and oversight of the finances of SOEs and local governments.

59. Where revenue is concerned, if the aspirational target of 20 percent of GDP is to be achieved by 2023, it is crucial to sustain the vigorous efforts of the last two years to bring in more domestic revenue. The work of the TSA should be extended to sub-vented and semiautonomous agencies and project accounts by widely disseminating the TSA operations manual. Automation of customs and tax processes can be sustained by broadening the use of electronic cash registers, ASYCUDA World, and ITAS, the Integrated Tax Administration System. New laws would streamline the process for granting duty and tax waivers by specifying rules for exemptions and waivers and limiting authority to provide them. The authorities should

move forward on the new Extractive Industry Revenue Act (2018) by drafting regulations that apply to all new mining and petroleum projects and for renewals of mining lease agreements. The National Revenue Authority Act can be amended to establish clear governance and accountabilities, and responsibility within government relative to the powers of the oversight board.

60. Prioritizing arrears clearance would ease the burden on the Government budget. To clear the large stock of domestic arrears—the biggest burden on budget implementation—Government needs a medium-term arrears clearance plan that has an explicit resource envelope, a procedure for prioritizing claims, and mechanisms for repaying or rescheduling claims. The authorities should make public both the strategy and the principles for arrears clearance. To avoid future arrears buildup of arears, Government should adhere strictly to the terms of its 2018–22) PFM strategy, such as making quarterly budget allocations based on revenue performance, improving fiduciary management in MDAs by deploying budget officers and internal audit staff; using IFMIS to reinforce commitment controls, improving cash and debt management; and enhancing oversight of SOEs and local councils to minimize contingent liabilities.

61. Given the recent spike in public debt, it is vital to modernize debt management and heighten transparency. Sierra Leone needs a debt management strategy that discourages non-concessional borrowing and arrears built-up. Its Debt Management Unit also needs greater capacity for recording and reporting debt and regularly publishing debt statistics. Sustaining the fiscal consolidation program should improve the domestic primary balance and slow accumulation. The authorities can explore non-debt-creating financing models such as public-private partnerships, supported by sound analysis of the fiscal risks. Rebalancing the mix of expensive and short-maturity domestic debt is critical for reducing the fiscal pressures associated with debt service obligations.

62. Making monetary policy responses to inflationary pressure and business cycle shocks more effective is pivotal for inclusive growth. One priority should be the development of money markets to lengthen the yield curve and deepen interbank transactions, especially foreign exchange, to allow for efficient price discovery and smoother transition of monetary. With inflation still in double digits, the BSL should keep monetary policy tight to reduce inflation to single digits. It should also continue to ensure that the exchange rate is market-determined by intervening in the foreign exchange market only to smooth excessive volatility and discourage speculation.

63. Deepening financial reforms is necessary to safeguard financial stability and spur growth. The authorities should also ensure continuation of reforms to banking supervision and regulation, including full application of the Banking and BSL Acts as amended in 2019, and move forward with restructuring of the two state-owned banks. It might be useful for the BSL conduct independent Asset Quality Reviews for all banks to ensure proper loan classification and provisioning and draft time-bound supervisory action plans. Also, the BSL should collaborate with the MoF in aggressively moving its financial inclusion strategy forward by introducing a national switch, a new national identity system to allow for unique identifiers, and regulations to promote agent banking.

Deepening Structural Reforms After COVID-19
64. After COVID-19, the Government structural reform agenda should be directed to supporting private sector–led growth and diversifying the economy beyond mining. That will not only reduce the volatility of growth, it will also provide more and better jobs for the people of Sierra Leone. The World Bank's 2019 Report identified factors that will promote economic diversification in Sierra Leone: improve the business environment; strengthen governance and institutions; expand agricultural productivity base and encourage agribusiness; use value addition to promote manufacturing; and invest in physical and human capital

through health, education, and social protection programs. Table A2 summarizes the main recommendations of the Report (World Bank 2019). Enhancing human capital will also depend on further reducing child marriage and early childbearing and ensuring that girls get more education, which could yield large on other development outcomes and deliver high economic benefits. These issues are the subjects of Part II of this Economic Update.

Part Two: The Power of Investing in Girls: Ending Child Marriage and Promoting Education

The COVID-19 crisis is also having a large negative effect on schools and students. School closings and the economic impact of the crisis may affect educational attainment and learning outcomes for years unless public funding for education is protected and other adequate mitigation measures are undertaken. Girls are especially at risk because in periods of crisis, they tend to marry or have children earlier, which makes it much more difficult for them to remain in school. This was the case during the Ebola epidemic, but it can be avoided today. More generally, there has been progress in Sierra Leone in improving education for girls, and some progress in reducing the prevalence of child marriage and early childbearing. Yet rates of secondary school completion for girls remain low, and the prevalence of child marriage (marrying before the age of 18) and early childbearing (having a child before the age of 18) remain high. Progress made towards improving education outcomes and reducing child marriage is too slow for Sierra Leone to achieve the Sustainable Development Goals. Further progress on reducing child marriage and early childbearing and improving educational attainment for girls can yield large positive impacts on other development outcomes and deliver high economic benefits. Investing in girls is one of the best investments the country can make to improve development outcomes. This part of the report highlights the gains that could be achieved from ending child marriage and promoting girls' education. A range of measures have already been taken by the government, including the recent decision to allow pregnant girls to stay in school, or return to school. It is hoped that the analysis will help in strengthening the case for investments. The analysis considers first trends in child marriage, early childbearing, and girls' education, as well as the cost of inaction in those areas. Thereafter recommendations are made for policy[10].

2.1 Child marriage and early childbearing remain prevalent, and girls' educational attainment is low

65. In many low-income countries, despite substantial progress over the past two decades, girls have on average less secondary education than boys. In Sierra Leone, girls do as well as boys in terms of gross enrollment and completion rates at the primary education level, but they lag substantially behind in secondary education. Moreover, on average boys perform better in secondary education learning assessments than girls[11]. In the case of educational attainment, one of the factors leading to gender gaps is that before they are 18, a significant proportion (up to a third) of girls marry or have children, thus compromising their opportunities to enroll in or complete secondary school (on girls' own voice on those issues in Sierra Leone, see Street Child, 2016). While other factors related to the supply and demand for education may also affect gender gaps in educational attainment, child marriage and early childbearing play a major role. They also have a range of other negative impacts as girls are marrying or having children before they are physically and emotionally ready. Giving girls more educational opportunities and reducing child marriage and early childbearing are essential to ensure that girls have full agency not only as future wives and mothers but in a vast range of other roles including on the job market. Making such changes are essential for Sierra Leone to reach its full development potential.

66. Disadvantages faced by girls are likely to be exacerbated by the COVID-19 crisis. The crisis has led to massive school closures globally, affecting 1.6 billion students according to UNESCO. School closures may

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[10] The analysis is based in part on past studies at the World Bank, as well as new analysis specifically for Sierra Leone conducted for this report. On the economic impacts of child marriage, see Wodon et al. (2017a); on the cost in earnings of gender inequality, see Wodon and de la Brière (2018) and Wodon et al. (2020); on the cost of failing to provide educational opportunities for girls, see Wodon et al. (2018). Details on methodology and findings are available upon request**.**

[11] DFID-supported Sierra Leone Secondary Education Learning Assessments 2017 and 2018.

cause not only loss of learning for most students in the short term, but also further loss in human capital and diminished economic opportunities over the long term. Risks of not returning to school are especially high for adolescent girls who may become married or pregnant while out of school. The health crisis has also led to an economic crisis, with sub-Saharan Africa experiencing its first recession in 25 years. Sierra Leone is also being affected as discussed in the first part of this report. What may be the magnitude of the consequences of the crisis for children? While the COVID-19 crisis differs from the Ebola epidemic that affected Sierra Leone in 2014, the experience of the Ebola outbreak suggests that impacts on the education system and learners may be severe. Research on the effect of the Ebola pandemic shows that thousands of girls were left vulnerable and there were increases in unwanted sex and transactional sex for food and other essentials, which saw more than 18,000 girls fall pregnant (see Box 2.1 for more details).

Box 2.1: Impact of the Ebola Epidemic on Education and Health

The Ebola crisis in West Africa in 2014–2015 had a devastating impact on human development outcomes and Sierra Leone's economy. The fall in economic activity reduced employment, boosted poverty rates, and increased food insecurity. The crisis resulted in 3,800 losses of lives as infections affected 12,000 people, leaving tens of thousands of children orphaned. Schools were closed for eight months, resulting in a lost year of learning. Although health risks from the Ebola pandemic in West Africa a few years ago were much more severe in terms of death rates than those from the current pandemic, a review of the experience of West African countries during the Ebola outbreak in United Nations (2020) suggests that effects on children of health crises and school closures and economic downturns can be severe and widespread, which may again be the case with this crisis. In Sierra Leone, in areas affected by the outbreak, teenage pregnancies for adolescent girls increased while school enrolment dropped by a third (Bandiera et al., 2019). Antenatal care visits and hospital deliveries and C-sections dropped as some facilities closed (Ribacke et al., 2016). The rate of full immunization for children under one year of age dropped by half, leading to an increase in cases of measles (Wesseh et al., 2017). In one district, diagnoses of severe acute malnutrition among children more than doubled (Kamara et al., 2017), and a majority of children perceived an increase in violence against children in their community (Risso-Grill and Finnegan, 2015). Data from UNICEF suggest that the outbreak led to a drop in birth registrations in Liberia. Visits to hospitals and health facilities for children with acute respiratory infections and diarrhea dropped in Guinea (Bardon-O'Fallon et al., 2015). In all three countries, the number of orphans increased. Even young children, most of which are not in preschools in the developing world, may suffer from the crisis indirectly due to stress and parental attention at home diverted to taking care of siblings.

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67. Despite great progress since the end of the civil war, Sierra Leone remains confronted by massive challenges related to child marriage, early childbearing, and low educational attainment for girls. Error! Not a valid bookmark self-reference. illustrates trends in educational attainment, child marriage, and early childbearing for girls in Sierra Leone and a few comparator countries in West Africa (Cote d'Ivoire, Ghana, Guinea, Liberia, and Senegal) based on household survey data[12]. By providing statistics by age group, Table

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[12] The estimates are based on data from the most recent Demographic and Health Surveys (DHS) for the various countries, although in Sierra Leone, estimates are based on the latest Multiple Indicators Cluster Survey for 2017 because the latest available DHS is older since it was implemented in 2013. The data from Sierra Leone's 2019 DHS are not yet publicly available, although a report on key indicators has been released, suggesting limited changes in key indicators since 2017 for the purpose of this study. For all countries in Table 2.1, estimates are based on surveys and therefore do not correspond exactly to administrative estimates from Ministries of Education, but trends over time should be broadly consistent. In addition, for comparison purposes, estimates are standardized on the basis of a

2.1 provides a trend over time for the indicators being considered. Note that estimates of prevalence for Sierra Leone in this report are based on the 2017 MICS, but the analysis of the potential impacts of child marriage and early childbearing for a range of indicators in the next section is based on the 2013 DHS as the DHS remains the standard for this type of analysis. Note also that while we provide statistics only at the national level in order to keep the report relatively short, the prevalence of child marriage and early child-bearing and the lack of educational attainment for girls affect in particular girls in rural areas and girls from the bottom quintiles of wealth.

Table 2.1: Education Completion Rates, Child Marriage, and Early Childbearing for Girls and Women by Age Group, Percent, Sierra Leone

	Primary Completed							
	15-18	19-22	23-30	31-40	41-49			
Cote d'Ivoire	39.9	34.6	28.8	25.6	26.6			
Ghana	78.0	81.7	72.1	62.7	52.0			
Guinea	36.0	38.5	27.0	13.0	7.5			
Liberia	37.7	54.0	44.5	32.5	24.2			
Senegal	51.9	44.9	26.2	15.7	16.0			
Sierra Leone	72.6	70.2	46.1	24.4	21.7			
	Lower Secondary Completed (standardized at primary + 3 years)					Upper Secondary Completed (standardized at primary + 6 years)		
	18-20	21-24	25-30	31-40	41-49	21-24	25-30	31-40	41-49
Cote d'Ivoire	21.1	23.2	15.9	12.5	9.9	10.8	8.0	5.1	3.1
Ghana	58.1	62.9	57.4	49.0	37.5	34.6	28.5	14.5	4.7
Guinea	22.7	30.6	16.5	8.4	4.1	19.1	11.6	6.1	2.4
Liberia	22.7	28.8	27.7	19.9	15.0	11.3	18.6	12.0	10.1
Senegal	32.2	29.3	17.0	11.8	11.7	6.2	6.4	5.6	5.4
Sierra Leone	50.9	50.2	28.5	15.5	13.2	19.7	11.0	6.9	5.4
	Child Marriage				Early Childbearing			
	18-22	23-30	31-40	41-49	18-22	23-30	31-40	41-49
Cote d'Ivoire	32.0	32.9	36.5	42.7	29.7	31.2	33.6	39.9
Ghana	17.2	24.2	28.7	34.2	15.5	18.6	21.5	25.4
Guinea	45.3	47.2	46.6	42.6	36.8	35.2	31.6	29.7
Liberia	30.9	36.8	44.5	45.4	35.2	36.4	41.0	46.1
Senegal	31.3	33.7	33.2	35.4	16.1	19.2	18.9	19.0
Sierra Leone	28.2	35.1	39.3	37.7	29.1	33.1	32.7	32.5

Source: Authors' estimation using 2017 MICS survey.

While the shares of girls and boys completing primary education are similar, girls substantially lag behind boys at the lower and upper secondary levels.

68. While girls perform as well as boys at the primary level, they lag behind at the secondary level. In Table 2.1, educational attainment is determined by three measures: the proportions of girls of various ages who complete primary, lower secondary, and upper secondary education. The age groups are defined to allow girls a few more years beyond the normal age to complete a level, to account for possible late entry or repetition. The primary completion rates for girls are

6-3-3 educational structure for all countries so that the measures can be interpreted in the same way for all countries.

relatively high in Sierra Leone, and they increased massively over the last few decades thanks in part to the end of the civil war. Gains for lower secondary were also very large, especially at the lower secondary level.

Box 2.2: Framework for Analyzing Impacts and Costs or Benefits

As shown in Figure 2.1, it is recognized that there is a close relationship between girls' educational attainment, child marriage, and as a result early childbearing. Ensuring that girls remain in school is one of the best ways to delay marriage and thereby reduce childbearing, with beneficial effects on Sierra Leone's development indicators. By contrast, marrying early or becoming pregnant leads girls to drop out of school. Furthermore, child marriage is one of the main drivers of early childbearing. These relationships are acknowledged in the top part of Figure 2.1.

Figure 2.1. Conceptual Framework
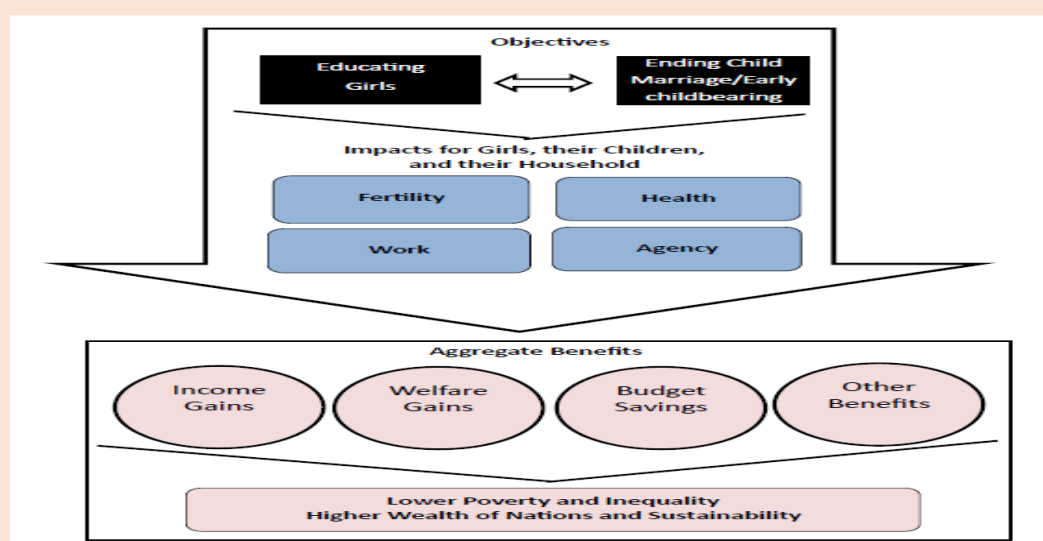
In turn, both girls' educational attainment and child marriage and early childbearing matter for other development outcomes. Four main outcomes are considered: (1) fertility; (2) health, including nutrition and the risk of exposure to intimate partner violence; (3) work, including labor force participation and earnings; and (4) agency, including decision-making and other impacts. While some impacts are estimated for the girls marrying or dropping out of school early, others are estimated for their children. Note that in some cases we look at the impact of child marriage, and in other cases at the impact of early childbearing, depending on what the relationships are, based on the literature.

The analysis then estimates selected economic costs of inaction, or equivalently the benefits associated with ending child marriage and early childbearing, or educating girls. The language of costs and benefits is used interchangeably. Examples of benefits from offering girls better educational opportunities, ending child marriage, and preventing early childbearing include (i) increased growth in GDP per capita as a result of reduced population growth; (2) higher labor earnings for women in adulthood; (3) increased labor earnings for children in adulthood due to reductions in stunting; (4) valuation of the benefits associated with children's lives saved; and (5) reduced budget needs as the rate of population growth falls. Though far from exhaustive, this list identifies those with the largest expected economic benefits.

Finally, the analysis recognizes that the benefits derived from providing girls with improved educational opportunities and eliminating child marriage at the individual and household levels have broader implications nationally and even globally. By raising standards of living (through higher GDP per capita. lower population growth, and higher earnings for women), educating girls and ending child marriage will reduce both poverty and inequality.

However, while almost three in four girls complete their primary education, only one in two completes lower secondary education, and less than one in five completes upper secondary. Girls are on par with boys for primary completion (72.6 percent for girls aged 15-18 versus 71.9 percent for boys of the same age), but they lag behind boys at the lower secondary level (50.9 percent completion rate for girls versus 57.9 percent for boys) and even more so at the upper secondary level (10.4 percent completion rate for girls versus 21.5 percent for boys).

69. There has been only limited progress in reducing child marriage and early childbearing and at current rates of progress the country will not achieve the target to end child marriage under the SDGs. The prevalence of child marriage among girls aged 18-22 was at 28.2 percent in the 2017 MICS. This is below levels observed for older women, but gains over time have been relatively limited. In the case of early childbearing, the prevalence among girls aged 18-22 is at 29.1 percent, thus higher than for child marriage, suggesting that a substantial share of cases of early childbearing take place outside of child marriage. For early childbearing, reductions over time in prevalence have been small unfortunately. Estimates from the key indicators report for the 2019 DHS suggest no major changes between 2017 and 2019. For example, 28.1 percent of girls aged 18 had a live birth according to the report, which is not far from the estimate in Table 2.1 (strict comparisons are not feasible because the estimates are not computed in the same way).

70. The analysis provided in this Part 2 of the report is meant to make the case for better and more investments in adolescent girls, especially to improve education outcomes and reduce child marriage and early childbearing. The framework that guides the analysis is provided in Box 2.2. In terms of structure, this part of the report first discusses the relationships between child marriage, early childbearing, and low educational attainment for girls. Thereafter, the negative impacts on other development outcomes of low educational attainment for girls and either child marriage or early childbearing (depending on the indicator) are documented. Next, a few of the economic costs associated with those impacts are estimated (cost of inaction analysis). Finally, some of the policy interventions are considered that could help end child marriage and early childbearing, and promote better educational opportunities for girls.

2.2   Relationship of child marriage, early childbearing, and girls' education

**71. The relationships between child marriage, early childbearing as one of its consequences, and girls' education are complex, with a multitude of drivers.** A cursory look at the data across countries in West Africa makes the relationships clear. Consider for example the relationship between child marriage and girls' education. Box 2.2 shows the lower secondary completion rate on the horizontal axis, and the prevalence rate for child marriage on the vertical axis for countries in West and Central Africa (for that Figure, data for Sierra Leone are from the 2013 DHS). The trend line through the scatter plot accounts for almost 60 percent of the variance between countries in the prevalence of child marriage. The figure also suggests implicitly that keeping girls in secondary school is an important factor in ending child marriage—a conclusion overwhelmingly supported by the literature and for which more evidence in the case of Sierra Leone will be provided below.

> Countries show a clear relationship between educational attainment for girls and child marriage, but there are also substantial differences between countries.

72. The close relationship between the prevalence of child marriage and girls' educational attainment is also illustrated by a simple typology of adolescent girls by marriage and schooling status. Table 2.2 provides data on the share of girls aged 15-19 in various categories. The results suggest that after a certain age, girls are either married or in school, but not both since only 1.6 percent of the sample consists of girls

who are married and in school. Due to social norms and parental pressure related in part to the out-of-pocket and opportunity costs of schooling, many girls may feel pressure to marry, in which case they essentially can't remain in school. Child marriage thus reduces girls' educational prospects; and conversely more education (and employment) opportunities for girls reduces the likelihood that they will marry early. While a full discussion of the related issues is beyond the scope of this report, later we draw on the literature to recommend some policy options to delay marriage and childbearing.

Figure 2.2: Relationship between Educational Attainment (Lower Secondary Completion) and Child Marriage in West and Central Africa (%)
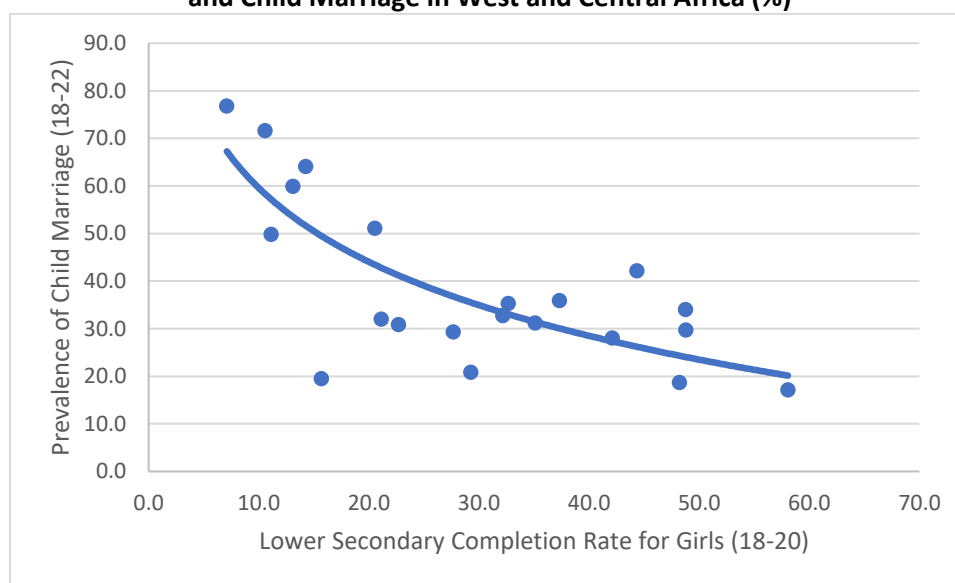
Source: Male and Wodon (2018).

73. In addition, child marriage is closely correlated with (and likely to be the cause of) almost two-thirds of all cases of early childbearing[13] and childbirth.[14] Table 2.2 shows that close to two thirds of instances of early childbearing (girls having their first child before the age of 18) can be attributed to child marriage. The analysis is based on the timing of marriages and births. While this is an imperfect way to identify causality, the data suggests that in Sierra Leone as in other countries, in many cases early childbearing is likely due to child marriage. In about a third of cases, early childbearing may precede child marriage, but this is less likely in Sierra Leone than the reverse. Still, in comparison to various other countries in East Africa and South Asia, the share of instances of early childbearing due to child marriage in Sierra Leone and the other West African countries in Table 2.2 is often lower than observed in those other countries, suggesting that beyond preventing child marriages, other actions are needed to prevent early pregnancies.

74. Keeping girls in school significantly reduces the risks of child marriage and early childbearing. When asked in surveys why their daughters dropped out of school, or when data are collected through education management information systems and include such information, parents often attribute their daughters dropping out of school to marriage and pregnancies. Experimental data as well as regression analysis across countries also suggests child marriage affects educational attainment negatively (see, e.g., Field and Ambrus 2008; Nguyen and Wodon 2014; and Wodon et al. 2016). But the causality may run both ways, in that lack of educational attainment may lead to child marriage as well as early childbearing. In the case of Sierra

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[13] A girl having her first child before she is 18.
[14] A child being born of a mother younger than 18

Leone, controlling for a range of other factors including household wealth, estimates suggest that each additional year of secondary education may reduce the risk of child marriage by 10.0 percentage points. This estimate is larger than what is observed in many other countries. In addition, each additional year of secondary education may reduce the risk of early childbearing by 4.0 percentage points, which is in line with estimates for other countries. Conversely, for each year of delay in marriage before the age of 18, there is an increase in secondary school enrollment of 2.6 percentage points, although the effect on the completion of secondary school is not statistically significant. Finally, across generations, by reducing the educational attainment of girls, child marriage and early childbearing reduce the opportunities available to their children. Children born to young mothers with low levels of education or no education at all are themselves significantly more likely to acquire less education. Table 2.2 summarizes estimates for these various relationships. The importance of keeping girls in school in order to end child marriage is discussed further below when reviewing interventions that may help delay marriage.

Table 2.2: Adolescent Girls and Relationships between Child Marriage and Early Childbearing, Percent, Sierra Leone

	Cote d'Ivoire	Ghana	Guinea	Liberia	Senegal	Sierra Leone
	Girls aged 15–19 by schooling and marriage status, Percent					
In school, not married, ages 15–16	13.0	27.0	18.6	35.2	22.3	28.2
In school, not married, ages 17–19	13.9	18.1	18.0	27.2	26.1	32.0
Out of school, not married, ages 15–16	21.0	16.3	19.2	9.1	11.1	7.2
Married, not in school, any age	22.9	7.4	26.2	12.2	24.0	14.7
Out of school, not married 17–19 years	28.7	30.9	16.4	13.0	13.6	16.2
Married and in school, any age	0.5	0.3	1.7	3.3	2.9	1.6
Total	100	100	100	100	100	100
	Early childbearing likely due to child marriage, Percent					
Mothers having a child before 18	60.6	72.1	59.9	52.2	71.0	63.0

Source: Authors' estimation.

Table 2.3: Relationships between Child Marriage, Early Childbearing, and Girls' Education, Sierra Leone

Relationship between child marriage and early childbearing
Child marriage is likely the cause for close to two thirds of girls having children before the age of 18
Child marriage is therefore also a main driver of births of children to mothers younger than 18.
Ending child marriage could substantially reduce early childbearing for girls and early births of children.
Impacts of child marriage and early childbearing on girls' education
Early pregnancies and marriages are often major reasons for girls dropping out of school.
Each year of early marriage raises the risk of not enrolling in secondary school by 2.6 percentage points.
Once a girl is married, statistics suggest that it is very difficult for her to remain in school, whatever her age
Child marriage at least indirectly affects the education of the children born to girls who married early.
Impacts of girls' education on child marriage and early childbearing
Each additional year of secondary education reduces the risk of marrying as a child by 10.0 percentage points.
Each additional year of secondary education reduces the risk of early childbearing by 4.0 percentage points

Source: Authors' estimation.

75. Given the close correlation between educational attainment, child marriage, and early childbearing, one of the most effective interventions to reduce the prevalence of child marriage and early childbearing would seem to be incentives for girls to remain in or go back to school. In particular, universal secondary completion for girls could dramatically reduce the prevalence of child marriage and early childbearing. While eliminating child marriage and early childbearing would help to improve girls' average educational

attainment, however, that alone would not be sufficient to ensure achievement of universal secondary completion. Policy options for keeping girls in school will be discussed below, but it should already be noted that the end of the ban for pregnant girls to stay in school is a positive step.

2.3   Impacts on other development outcomes

Fertility and Population Growth

76. Child marriage, early childbearing, and girls' education have a significant impact on how many children women bear, and thus on population growth. According to a model adopted from Onagoruwa and Wodon (2018), the earlier women in Sierra Leone and elsewhere marry, the more likely they are to bear children earlier and ultimately to have a larger number of children. Depending on the age of marriage, child marriage increases the average number of children women bear (total fertility) by 9 to 28 percent in Sierra Leone. As a result, eliminating child marriage could reduce the national fertility rate by 8 percent (a reduction in fertility of 0.45 child per woman nationally). Universal completion of secondary education would in addition reduce total fertility rates by 12.7 percent. Ending child marriage could also increase the use of modern contraceptives in Sierra Leone slightly (increase of only 1.5 percent versus base value), the potential impact of universal secondary education completion would be larger (increase of 41.1 per cent versus the base value, which corresponds to an increase of 6.7 percentage points).

Table 2.4: Potential Impacts of Child Marriage/Early Childbearing and Educational Attainment on Fertility and Population Growth, Sierra Leone

Impacts of child marriage and early childbearing	*Impacts of girls' educational attainment*
Depending on the girl's age at marriage, child marriage increases total fertility by 9% to 28%.	Completion of secondary school could reduce total fertility rates for women at the margin by about 13%
Ending child marriage could reduce total fertility nationally by 8% from the base value.	Achieving universal secondary completion could reduce total fertility nationally by 13%.
Marrying as a child is associated only with a limited impact on modern contraceptive use.	Completion of secondary completion is associated with a substantial increase in contraceptive use.
Ending child marriage could increase modern contraceptive use by 0.2 percentage point.	Achieving universal secondary completion could increase modern contraceptive use by 7 points.
Ending child marriage and early childbearing could reduce population growth by 0.14 percentage point.	While the impact of universal secondary completion on population growth is not estimated, it should be larger.

Source: Authors' estimation.

77. The elimination of child marriage and early childbearing in Sierra Leone could reduce the annual rate of population growth by 0.14 percentage point—a reduction in the annual rate of population growth of about 7 percent from the base value (population growth rate of 2.1 percent)[15]. This estimate is similar in magnitude to the estimated reduction in total fertility (see Box 2.3 on what is mean by such impacts). Even greater reductions could be achieved if all girls completed secondary education, with the effects likely to be at least one and a half time larger. These effects have implications for Sierra Leone's ability to reap the benefits from the demographic dividend (for a detailed discussion of the dividend, see Canning et al. 2015; World Bank 2015). The reduction in population growth and fertility rates also has implications for poverty reduction because poverty is estimated on the basis of household consumption per capita or per equivalent

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[15] The estimates for Sierra Leone are based on an extrapolation of results for 22 countries where simulations were conducted using demographic projection tools. Comparison with impacts on fertility rates suggest that the estimates are as expected.

adult. As household sizes shrink when fertility rates drop, the risk of being poor or falling into poverty is accordingly reduced. As mentioned in Part One, the incidence of poverty is projected to increase in Sierra Leone due to the COVID-19 crisis, with the number of poor increasing even further due to population growth. If population growth and fertility rates were to fall by reducing child marriage and early childbearing, poverty could be reduced more rapidly. Table 2.4 summarizes the findings.

Box 2.3. What Is Meant by "Impacts" and Associated Economic Costs?

The objective of this part of the report is to estimate the impacts of child marriage, early childbearing, and educational attainment for girls on a wide range of development outcomes and the economic costs associated with some of these impacts. The term "impact" is used for simplicity's sake but caution is called for in inferring causality. The interactions between multiple outcomes considered in this study are such that there is a risk of reverse causality in some of the empirical estimations. While efforts have been undertaken to reduce such risks, estimates of impacts in this study are typically obtained through regression analysis to estimate the potential impacts of child marriage, early childbearing, or educational attainment on various outcomes, controlling for other factors that may also affect the outcomes. In the literature, this approach is known as an association study. Only statistical associations are measured, not necessarily what impacts that could be observed with a randomized control trial or quasi-experimental approaches. Based on measures of likely impacts, the costs associated with some of them (cost of inaction approach, or equivalently the benefits of ending child marriage/early childbearing and educating girls) are computed. These are estimated on the basis of several debatable assumptions, including in some cases discount rates. It should therefore be recognized that the cost estimates are not precise—they simply represent an order of magnitude of potential costs.

Health, Nutrition, and Violence

78. Early childbearing can significantly undermine the health of both young mothers and their children. For the young mothers, physical immaturity may increase the likelihood of complications during pregnancy and childbirth, exacerbating maternal mortality and morbidity risks, although those risks are not measured here (for estimates of maternal mortality, see for example Nove et al. 2014). In Sierra Leone, maternal related deaths accounted for 19.8 percent of deaths among women age 15-19 years old, and complications during pregnancy and childbirth are the second cause of death for 15 to 19 year-old girls.

79. Being born to a very young mother may also affect the health of the child at a time that is critical for the child's development; the evidence is overwhelming that children's health during their first 1,000 days has a lifelong impact. These impacts are reviewed by Black et al. (2017) and for child marriage in particular by Wodon (2016). For example, stunting in early childhood is associated with lower lifelong earnings and consumption for both individuals and their households (Hoddinott et al., 2013) and with losses in national GDP (Horton and Steckel 2013). In Sierra Leone, children born of mothers younger than 18 have substantially higher risks of dying before they reach the age of 5[16], but the impact on stunting is not statistically significant. However, the reductions in under-5 mortality that could result from preventing early childbearing nationally are limited in percentage terms because relatively few children are born of mothers younger than 18. Still, many children would be affected. The impact of educational attainment for girls on both under-5 mortality and stunting is for most levels of education, including secondary completion, not statistically significant.

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[16] Under-five mortality was highest among children of mothers who were less than age 20 at the time of the birth (136 deaths per 1,000 live births).

Separately, although the impact of child marriage on intimate partner violence was not estimated for Sierra Leone, based on data for other countries in the region the impact is expected to be statistically significant though relatively small (Savadogo and Wodon 2018a). The impact for educational attainment may be larger. Table summarizes the main findings.

Table 2.5: Potential Impacts of Child Marriage/Early Childbearing and Educational Attainment on Health, Nutrition, and Violence, Sierra Leone

Impacts of child marriage and early childbearing	*Impacts of girls' education*
Being born of a mother younger than 18 raises the risk of under-5 mortality by 6.1 percentage points.	The mother's educational attainment is mostly not associated with a reduction in under-5 mortality.
Ending all early childbirths would reduce national under-5 mortality by 0.51 percentage point.	Universal secondary education might not lead to a national decline statistically in under-5 mortality.
Being born of a mother younger than 18 does not statistically raise the risk of under-5 mortality.	The educational attainment of the mother is mostly not associated with a reduction in under-5 stunting.
Ending all early childbirths would not significantly reduce under-5 stunting nationally.	Universal secondary education might not lead to a national decline in under-five stunting statistically
Child marriage is likely to have a small impact on intimate partner violence when girls marry very early	The educational attainment of women is likely to be associated with less intimate partner violence.

Source: Authors' estimation.

Work, Earnings, and Poverty

80. The elimination of child marriage could affect labor force participation (LFP) because of its impacts on girls' education and total fertility, although the impacts are likely to be small. However, the impact of the elimination of child marriage on the earnings of adult women could be more significant. Women who married early could have earned more if they had married later, mostly because of the impact of child marriage on their education. Nationally, this could raise the population's total earnings by 0.7 percentage points[17]. Through its impact on earnings, the elimination of child marriage and early childbearing would also have positive effects on welfare and poverty, since higher earnings for women would lead to higher household consumption. The impacts on earnings and poverty of universal secondary education would be even more significant. As mentioned earlier, under current conditions poverty rates are not likely to be reduced substantially in coming years (see Part One for a discussion). Ending child marriage and early childbearing and educating girls could help change these conditions, with higher earnings ultimately pushing down poverty rates. Table 2.6 summarizes the estimated impacts.

Table 2.6: Potential Impacts of Child Marriage/Early Childbearing and Educational Attainment on Work, Earnings, and Poverty, Sierra Leone

Impacts of child marriage and early childbearing	*Impacts of girls' education*
Ending child marriage should not affect women's labor force participation (LFP) much.	More education is associated with somewhat higher LFP.
Ending child marriage could increase the earnings of adult women substantially.	More education for girls is associated with substantial increases in their earnings as adults.
Ending child marriage could increase earnings and productivity nationally by up to 0.7 percent.	The impact on national earnings of universal secondary education for girls could be very large.
Ending child marriage could have large positive effects on welfare and reduce poverty.	Universal primary or secondary education could have large positive effects on welfare and reduce poverty.

Source: Authors' estimation.

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[17] The estimates for Sierra Leone are based on an extrapolation of results for 15 countries where simulations were conducted using labor force surveys.

Agency and Other Impacts

81. A woman's capacity for choice depends on her degree of agency, which refers to her capacity to act within her environment. This may be influenced by how much access she has to resources and her degree of confidence, based among others on her past achievements and those of her peers and role models. Child marriage clearly affects girls' access to resources. Among other factors, access to resources may be impacted by low earnings due to less education and the limits placed on girls' confidence if they have not had access to certain types of employment. Thus, child marriage clearly affects agency for girls and women. While agency can be measured in terms of a wide range of indicators, one is whether women are able to make decisions for the household, including seeking medical care when they need to. Some outcomes may also result of a lack of agency, such as whether mothers register their children soon after birth. While such indicators cannot comprehensively describe women's agency, data on them are at least available in recent surveys. The direct impacts of child marriage on such indicators are typically not large and often not statistically significant, but since child marriage and early childbearing reduce how much education girls get, they are likely to have indirect negative impacts on agency. At times these impacts may be large, as is the case in Sierra Leone for decision-making. Table 2.7 summarizes the impacts.

Table 2.7: Potential Impacts of Child Marriage/Early Childbearing and Educational Attainment on Decision-making, Agency, and Other Areas, Sierra Leone

Impacts of child marriage and early childbearing	*Impacts of girls' educational attainment*
Child marriage often does not directly affect decision-making, but it matters indirectly through education.	Universal secondary education could increase women's decision-making ability by 20%.
Child marriage has a surprising by small positive marginal impact on women's ability to seek care.	Universal secondary education could increase women's ability to seek care by 16%.
Child marriage does not directly affect knowledge of HIV-AIDS but it matters through education.	Universal secondary education could increase an index of women's knowledge of HIV-AIDS by 13%.
Early childbearing is not associated with a reduction in birth registration rates for children.	More education for women is not associated with an increase in birth registration rates for children.

Source: Authors' estimation.

Summary of the Impacts

82. The negative impacts of child marriage, early childbearing, and low educational attainment for girls are large. Table 2.8 summarizes the estimates qualitatively; two conclusions emerge: (1) The correlations between child marriage, early childbearing, and low levels of education are strong. (2) All three issues have negative impacts individually or collectively on a wide range of other outcomes. In addition, some of the effects are not only statistically significant but also large. Finally, in addition to the effects identified in Table 2.8, girls' low level of education can be shown to have other negative effects that are not discussed in this study. These effects are documented separately (Box 2.4).

For all indicators except birth registration and under-five stunting, either child marriage/early childbearing or completion of secondary education has a statistically significant impact. This shows how pervasive and widespread the impacts of a lack of opportunities for girls are.

Box 2.4. Other Impacts of the Limited Education of Girls

The World Bank recently, two years ago, published a study on the cost of not educating girls globally (Wodon et al., 2018). Apart from the impact of educational attainment on the development outcomes considered in this study, the global study considers a range of other outcomes. For example, women with secondary education may expect to earn almost twice as much, and those with tertiary education almost three times as much, as those with no education. Women with secondary and tertiary education report higher standards of living than those who at most completed only primary education. For example, they are less likely to state that they do not have enough money to buy food. Women's psychological well-being could also improve with more education. Women with secondary education report less satisfaction with basic services than women with no education, which may reflect a more realistic assessment of service quality. Achieving universal secondary education could also enable more women to display altruistic behaviors, such as volunteering, donating to charity, and helping strangers, since a tendency to participate in these activities is also correlated with higher levels of education. Secondary education is also associated with a greater likelihood that women will report being able to rely on friends when in need.

Table 2.8: Statistically Significant Estimated Impacts by Domain, Sierra Leone

Domains and Indicators	Child Marriage or Early Childbearing	Completion of Secondary Education	Either One of the Two
Mutual relationships			
Child marriage/Early childbearing	-	Yes	Yes
Educational attainment	Yes	-	Yes
Fertility and population growth			
Fertility	Yes	Yes	Yes
Population growth	Yes	Yes	Yes
Modern contraceptive use	Yes	Yes	Yes
Health and nutrition			
Under-5 mortality	Yes	No	Yes
Under-5 stunting	No	No	No
Demand for health care	Yes	Yes	Yes
Intimate partner violence	Likely	Likely	Likely
Work and productivity			
Labor force participation	Yes	Yes	Yes
Women's earnings	Yes	Yes	Yes
Household welfare	Yes	Yes	Yes
Women's agency			
Decision-making ability	Yes	Ye	Yes
Knowledge of HIV/AIDS	No	Yes	Yes
Birth registration	No	No	No

Source: Authors' estimation.

2.4 Economic Costs and Benefits: The Case of Child Marriage

83. Putting numbers to all the costs associated with child marriage, early childbearing, and girls' limited education is beyond the scope of this study, but the costs for some of the largest impacts can be approximated. Here, the focus is on the costs of child marriage and the benefits of eliminating it. Of particular interest are the benefits associated with a reduction in the population growth rate; gains in educational attainment and thereby earnings; and reductions in under-5 mortality and stunting. In most cases, both immediate and longer-term gains are estimated up to 2030. This accounts for the cumulative nature of some of the benefits of ending child marriage, especially for population growth. It also allows valuations to adjust for increases in standards of living (GDP per capita) over time.

> The economic benefit of ending child marriage in terms of welfare gains from lower population growth is large: by 2030 it could reach US$367 million in purchasing power parity.

Box 2.5: Potential General Equilibrium Effects and Cost Estimates

Estimating the costs of child marriage in terms of unrealized potential earnings implicitly assumes that labor markets would be able to absorb a larger supply of better-educated women. Specifically, the assumption is that the higher educational attainment resulting from eliminating child marriage would not decrease the returns to education. However, if eliminating child marriage were to substantially increase the average level of women's education, that assumption might be questionable, especially in a country where a very large proportion of women currently have minimal education. The estimation also does not factor in possible effects on men's earnings if on average women acquire more education; If more women achieve higher levels of educational attainment and have access to the same employment opportunities as men, that would reduce the occupational segregation by gender that has traditionally led to relatively higher earnings for men.

There is evidence from other countries that over time, the labor market premiums associated with more education may decline when the proportion of workers with these higher levels increases. For example, Angrist (1995) showed that expansion of access to education in the Palestinian territories reduced the skills premium. Acemoglu et al. (2004) noted that during World War II, higher labor force participation by women depressed wages for low- skilled workers. Duflo (2004) suggested similar effects in Indonesia after a large school construction program. These are just a few examples of studies that document general equilibrium effects, which, as noted by Acemoglu (2010), can be large. In a World Bank study on the cost of not educating girls globally (Wodon et al, 2018), this was taken into account by providing a variety of estimates, with and without general equilibrium effects. This seems less necessary when looking at the impacts of child marriage in Sierra Leone because only a subset of women marrying early are assumed to complete secondary education without marrying as a child, given other constraints, such as cost or the distance to schools. Changes in earnings due to elimination of child marriage generally average about 1 percent of aggregate wages. This means that the impact on the labor market remains limited, so that it is less likely to observe large general equilibrium effects.

Still, if general equilibrium effects occur, the estimates provided may be overstating the cost of child marriage in terms of lost earnings. However, other factors could lead to larger costs than reported: First, the estimation does not factor in possible effects of ending child marriage on labor force participation or hours worked. Also, through multiplier effects, increasing women's earnings through

84. Through reduced population growth, ending child marriage and early childbearing could have generated immediate annual benefits of US$19 million in purchasing power parity (PPP) in 2015, which could rise to US$367 million annually by 2030. Thus, the welfare benefits derived from reducing population growth by eliminating child marriage and early childbearing are extremely significant. These estimates should not be considered as precise because they depend on (a) econometric estimates of impacts that have themselves standard errors; and (b) a range of debatable assumptions about costing (Box 2.5). Still, they provide an order of magnitude of the costs that may result from the prevalence of child marriage and the benefits of its elimination. The estimates of costs here are based on annual losses in GDP per capita or components thereof, such as labor earnings. If lifetime losses were computed, based for example on estimates of the changing wealth of nations (Lange et al. 2018), the estimates of costs would be substantially larger than those reported here (see, e.g., Wodon and de la Brière 2018, and Wodon et al., 2018). Table gives Illustrative estimates of annual benefits from ending child marriage (or equivalently, some of the costs of inaction). The fact that the benefits increase substantially over time relates to the cumulative effect of the reduction in population growth on the country's total population over 15 years, and the gains in standards of living over the same period. This is why the size of the annual benefits in 2030 are about twenty times their value in 2015.

85. Over time there would also be budget savings due to reduced demand for public services as population growth is reduced. In other countries, based on a model developed by Wils (2015), the impact of the elimination of child marriage and early childbirths on savings for the national education budget can be computed. Typically, by 2030, as new cohorts of children in school would be smaller due to population growth, the number of students in school could be reduced by at least five percent versus a business as usual scenario. The resulting savings would be valued at millions of dollars. Additional savings would be generated for the national budget, including in health.

86. Economic benefits would also be reaped from the reduction in under-five mortality brought about by the elimination of child marriage, and thereby a sharp reduction in early childbearing. The valuation of these benefits also rests on a number of debatable assumption, but under standard practice the valuation of lives is related to future losses in GDP when children die prematurely. The benefits from reducing under-5 mortality by 2030 are valued under such assumptions at US$20 million (PPP) in 2015, rising to US$28 million (PPP) in 2030. Because estimates of the impact of early childbearing on the risk of under-five stunting were not statistically significant, the gains in wages related to potentially lower stunting rates when ending child marriage and thereby reducing early childbearing are not estimated (see

Box 2.6: Why Are Some Impacts and Costs Large and Others Smaller?

In economic terms, the fact that reducing child marriage or early childbirth may lead to only relatively small reductions in national measures for some outcomes does not imply that the associated economic costs are small. For example, in many countries, child marriage tends to reduce earnings nationally by

an average of about 1 percent. A single percent may not seem to be much, but the associated economic cost is very large, and for the women affected, the losses in earnings are much greater.

Some of the most significant economic costs associated with child marriage are related to fertility and population growth; education and earnings; and the health of the children born of young mothers. These impacts are closely related. Particularly when use of modern contraception is low, child marriage is closely correlated with early childbirths, which in turn is closely correlated with greater health risks for young mothers and the children they bear and leads to higher fertility rates. Child marriage and early childbirths make it very difficult for girls to continue their education, which cuts women's earnings potential. All those effects are at work at the time of marriage (in the case of educational attainment) or soon after (in the case of childbearing).

By contrast, impacts in other domains, such as risk of domestic violence, labor force participation, and decision-making, can be observed throughout a woman's life. They may also depend on many factors apart from whether and when girls marry. For example, intimate partner violence and a lack of decision-making ability are at least partially the result of widespread gender inequality. While child marriage tends to perpetuate gender inequality, delaying marriage by a few years may not be enough alone to fundamentally change gender roles and social norms. Thus, in these domains, while the elimination of child marriage may have a significant role, the impact tends to be relatively small compared to that of higher levels of girls' educational attainment, for example.

on why some estimates of the economic costs of child marriage tend to be larger than others).

Table 2.9: Order of Magnitude, Selected Benefits from Ending Child Marriage (US$ PPP Unless Noted), Sierra Leone

	Annual Benefit in 2015	Annual Benefit in 2030
(1) Welfare benefit from reduced population growth	$19 million	$367 million
(2) Benefit from reduced under-5 mortality	$20 million	$28 million
(3) Benefit from reduced under-five stunting	Not statistically significant	Not statistically significant
(4) Education budget savings	None	5% or more of education budget(*)

Source: Authors' estimates.
Note: Estimate based on simulations for other similar countries.

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In economic terms, the fact that reducing child marriage or early childbirth may lead to only relatively small reductions in national measures for some outcomes does not imply that the associated economic costs are small. For example, in many countries, child marriage tends to reduce earnings nationally by an average of about 1 percent. A single percent may not seem to be much, but the associated economic cost is very large, and for the women affected, the losses in earnings are much greater.

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87. In addition, the potential earnings losses due to early marriages in 2015 are estimated at US$71 million (PPP). Because child marriage reduces girls' educational attainment, early marriage also affects women's earnings in terms of how much more women who married early would have earned if they had been able to marry later and spend more time in school. There is a significant literature on the potential impact of educational attainment on earnings, regardless of gender (see Psacharopoulos and Patrinos 2018, for a recent review). In the case of Sierra Leone, estimates by the International Monetary Fund (2020) suggest that long term gains from closing gender gaps in education across income groups could lead to a permanent increase in GDP of about eight percent (the benefits of improving the quality of the education being provided could be even larger). Because of the cost in terms of girls' education, child marriage reduces earnings throughout a woman's life (Savadogo and Wodon, 2018b). Due to data and time limitations, this study does not attempt to determine the impact of low educational attainment and child marriage on monetary poverty, but a global study by UNESCO (2017) suggests that these effects on poverty are likely to be large. This is important given expectations that in Sierra Leone under current conditions poverty may not decrease substantially in the near future. If child marriage were ended, poverty reduction would be accelerated substantially.

88. The estimates of the cost of child marriage are substantial. To illustrate the magnitude of the benefits from ending child marriage, comparisons with net official development assistance (ODA) may be useful. ODA consists of disbursements of loans made on concessional terms (net of principal repayments) and grants by official agencies, whether or not they are members of the Development Assistance Committee (DAC), multilateral institutions, and non-DAC countries. Net ODA includes loans of which grant elements constitute at least 25 percent of the value. In Sierra Leone, for the past decade net ODA has fluctuated around 10 and 20 percent of gross national income in recent years. While the benefits from eliminating child marriage are smaller, they are nevertheless large as a proportion of GDP, especially for gains from lower fertility and population growth, which are cumulative over time.

2.5 COVID-19 Crisis and Policy Responses

89. The issues of child marriage, early childbearing, and low educational attainment for girls are likely to be exacerbated by the COVID-19. As in other countries, schools have been closed in Sierra Leone, leading

to likely large losses in learning for students given the limited ability of the Government to implement effective distance learning solutions. There is a substantial risk that some children may never return to school, as was the case when schools were closed during the Ebola epidemic. Adolescent girls are especially at risk because when they are out of school, the risk for them of being married or having a child too early are magnified. It will be essential to address the potential negative impact of COVID-19 on education outcomes and the sector as a whole, but in particular for adolescent girls.

90. **A number of policy options are available to governments in sub-Saharan Africa to respond to the crisis. While not all of these options should necessarily be considered in Sierra Leone, many are relevant.** Governments in the region have been rapidly developing response strategies to address the potential impact of the COVID-19 crisis on education outcomes. The short, medium and long-term challenges resulting from the crisis suggest a three-stage approach to mitigate negative effects: (1) Relief; (2) Recovery; and (3) Resilience and Acceleration[18]. Across these three phases, stronger efforts must be made to focus on girls, fragile settings and the most vulnerable, while using innovative approaches through multisectoral collaboration. The basic assumption is that, whereas learning losses will be inevitable, the current times demand "harm-reduction" education policies that can mitigate the risks and minimize inequalities.

- **Relief (0-5 Months).** The immediate priority is to support students and families cope with the crisis and ensure that learning continues during school closures and the summer break. Several actions can be taken to do so. In the recovery and resilience stages, once schools reopen, these actions can also help improve the learning experience of children in school. Potential actions include:

    o Communications campaigns on continuing to learn while schools are closed. Campaigns should emphasize distance learning options and the key role of parents for learning. In the longer-term, this may lead to gains in parental engagement and thereby in student learning;

    o Multi-modal distance learning to reach all learners given that few have access to the internet. Beyond making materials available online, options include (a) interactive radio instruction, both now that schools are closed, and later when they reopen to reinforce learning; (b) educational programs on television; and (c) support through messages delivered via mobile phones. Where internet connectivity is available, online lessons could be an option. These options could be useful for all education levels.

    o Materials for home-based learning to help parents use the home as a learning environment. Books and other supplies can be distributed to homes.

    o Flexible timing of end-of-year examinations to ensure that children's progression through grades and between cycles is not penalized due to the crisis and to keep track of learning during school closures.

    o National repositories of digital and other resources to curate low-cost resources for distance learning using various media for all education levels.

    o Efforts towards building capacities of tertiary institutions to respond to epidemics. These institutions can help accelerate training of nurses, lab technicians, and other health

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[18] This approach is suggested in World Bank (2020).

professionals, while also sharing global knowledge. Tertiary education institutions are also leaders in digital technologies that can support primary and secondary schools.

- o Support for school feeding programs adapted to the new circumstances in order to guarantee children are well nourished and ready to learn.

- **Recovery (6 Months – 2 Years).** In the medium term, continuity will need to be managed. Potential options to do so include the following:

  - o Reopening schools safely and with adequate support for students: Ministries need to develop a school reopening strategy accounting for the possibility of repeated school closures if there is a resurgence of COVID-19 (or another pandemic). Three issues are of particular relevance: a) health and safety, including through water and sanitation facilities to protect students' health and programs to prevent violence in educational settings; b) remedial education and teacher pedagogy adapted to teach at the level students will be when they return to school (also, teachers should be trained on assessing the learning loss and responding to it); and c) psychosocial support and counseling for students and staff who, as a result of violence, loss and fear, are experiencing psychological distress.

  - o Ensuring that all children go back to school through communications campaigns and re-enrollment drives with local monitoring and incentives for re-enrollment which could include conditional cash transfers, free uniforms, waiving school fees, or expanding school feeding (complying with social distancing as needed). It will be important to coordinate such programs with other Ministries. As mentioned already, special support should be provided to adolescent girls to guarantee they can go back to school.

  - o Ensuring that schools are well funded, and teachers are paid on time: Budgets should be protected to provide funding commensurate with needs. Funding to public schools should be maintained, and ideally increased among others for remedial education and to create incentives for re-enrollment. Teacher salaries should be paid fully and on time, and professional training should be provided to help teachers deal with the consequences of the crisis for their students. When education systems provide support to nonprofit private schools should continue to do so, to ensure that the schools remain open and to avoid large shifts in enrollment that would overwhelm public schools.

  - o Ensuring that students form tertiary education and universities can continue studying. Based on the lessons learned from the unfolding pandemic, having a pool of scientists, medical professionals, specialists in digital technologies will be even more critical in the future. Furthermore, it will be important to work with TVET and the private sector to make the labor market re-entry process smoother, especially for the disadvantaged youth.

- **Resilience and Acceleration (2+ years).** Even though the probability of a future outbreak and its timing are uncertain, it is important to build resilience in education systems for potential future crises and to avoid massive losses of human capital. The current crisis may provide an opportunity to build educational systems that are stronger and more equitable than was the case so far.

o Strengthening education systems: This could include reforming education systems and increasing their resilience to future crises through (a) strengthening the capacity of Ministries and selected education institutions to deliver distance and online education; (b) investing in education management systems that can work online; and (c) improving the quality and relevance of higher education in priority fields (e.g., medical education, STEM, engineering) to generate skills and knowledge needed for emergency preparedness.

o Enhancing digital skills across the economy and investing in the development of skills that can more easily be adapted to online work. This entails working with tertiary institutions and the private sector to provide opportunities in the digital economy for youth.

o Expanding the use of technology in education by (a) promoting changes in regulations that can hinder the development and implementation of Edtech solutions; (b) strengthening quality assurance and accreditation for distance and online learning; (c) investing in digital technologies and the provision of devices that can be used at home or in school; and (d) increasing the flexibility of education systems to work online by gradually switching some activities, in certain areas, to online modalities, if the context permits.

Figure 2.3:

Ministry of Basic and Senior Secondary Education (MBSSE)
Emergency Education Taskforce
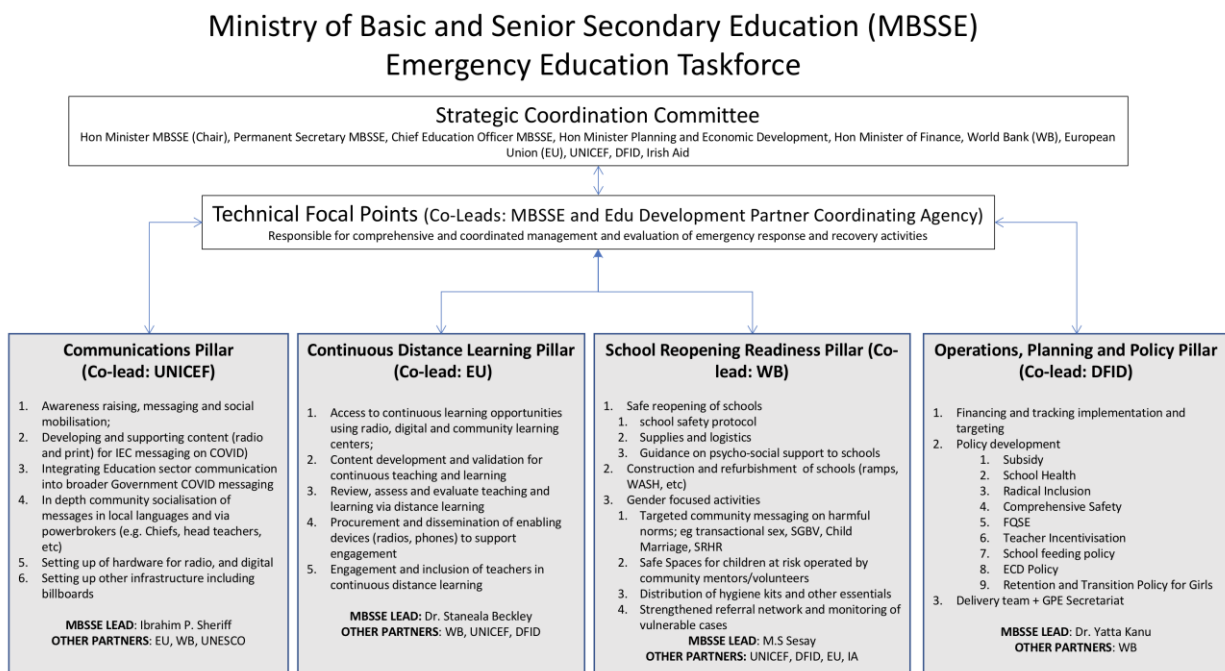
91. While not all of the above options may be feasible or adequate for Sierra Leone at this time, many of these strategies are already being considered by the GoSL. In early March, the Minister of Basic and Senior Secondary Education (MBSSE) asked District Directors of Education and school heads to re-activate the School Safety Guidelines, which were initially developed during the Ebola crisis to keep schools safe, along with teacher training, psycho-social support, hand-washing and regular temperature checks. On March 19, 2020 when no cases of COVID had been reported, the MBSSE and the Ministry of Technical and Higher Education (MTHE) jointly announced that all education institutions should be shut down by March 31, 2020,

which means that schools closed a week before they were scheduled to close for the Easter holiday break. The Ministries asked all education institutions to wrap up teaching and examinations in a time window that was not disruptive or abrupt. The early closure affected the academic calendar for education institutions including public examinations which were scheduled to commence in May, June and July. On March 24, 2020, the Sierra Leone's President declared a state of public emergency in response to the growing threat of the COVID-19. At that time, Sierra Leone was yet to record a single case, while neighboring Guinea and Liberia had confirmed cases. Importantly, in April 2020 the MBSSE established an Education Emergency Taskforce (EET) to mitigate impact of the COVID-19 on children and learning. The EET is expected to advise and support the GoSL's education activities during COVID-19 as well as post COVID-19 period. The EET will specifically support coordination, planning and response through four strategic pillars: (i) communications, (ii) continuous distance learning, (iii) school reopening readiness, and (iv) operations, planning and policy (see Figure 2.3). Development partners, being part of strategic working groups, are supporting the GoSL in their efforts to mitigate the impact of COVID-19 on the education sector.

2.6 Medium-Term Options to Improve Opportunities for Adolescent Girls

92. Beyond the current crisis, eliminating child marriage and early childbearing, and improving educational opportunities for girls could generate substantial economic benefits for Sierra Leone. There are three main reasons why investing in opportunities for adolescent girls is often highly cost-effective: (1) Earlier investments tend to have a persistent positive impact throughout women's lives. If a girl completes secondary education and avoids early marriage, the benefits endure throughout her life. (2) The cost of interventions for girls in adolescence or even earlier tends to be lower than the cost of interventions later in women's life cycles. (3) Interventions targeted at girls at a formative age may be more successful in influencing values and behaviors, not only for the girls directly targeted but for the community. If women are targeted later in life, returns on the investment may be lower, as it will become increasingly difficult for them to fully benefit from new opportunities. While interventions for women at a later point in the life cycle may also be justified, adolescence is a critical development period when investments are likely to generate the highest returns. To eliminate child marriage and early childbearing and to enable all girls to complete their secondary education, some general conditions must be met, but a number of specific interventions also have promise. The following sections discuss these general conditions and specific interventions, acknowledging that major efforts supported by the Government are already underway. The objective of the discussion in the following sections is not to lay out a comprehensive plan since this has been done elsewhere (on child marriage and early childbearing, see the National Strategy for the Reduction of Adolescent Pregnancy and Child Marriage 2018-2022; on education, including specific interventions related to girls' education, see the National Education Plan 2018-20). Rather, the objective is to highlight selected policies that are particularly important to improve investments in adolescent girls.

General Conditions

93. Multiple interventions are needed to provide opportunities to girls and ensure that their needs are met.[19] Some of these interventions have already been implemented or planned by the government. In May 2013, a National Secretariat for the Reduction of Teenage Pregnancy was established, leading to the

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[19] It is beyond the scope of this study to provide a comprehensive analysis of what needs to be done to eventually end child marriage and early childbearing and ensure that all girls complete secondary education, but some pointers can be provided.

adoption of a strategy for 2013-15[20]. More recently, a National Strategy for the Reduction of Adolescent Pregnancy and Child Marriage 2018-2022 was adopted with a multisectoral approach aiming to coordinate actions from five Ministries[21]. In addition, in August 2018, President Bio announced the Free Quality School Education Program (FQSE) initiative, with the aim to ensure free schooling for 1.5 million children while also training thousands of teachers and providing free textbooks. Yet getting the most out of this new policy will require a tight focus on narrowing gender disparities in education outcomes.

94. Sierra Leone also overturned a ban on pregnant girls attending school on March 30, 2020. The ban was introduced in 2015 after the country experienced an increase in teenage pregnancies following the Ebola crisis. Immediately after the Court of Justice of the Economic Community of West African States (ECOWAS) ruled in mid-December 2019 that the ban was a violation of girls' right to education, the Ministry of Basic and Senior Secondary Education launched a multi-stakeholder taskforce on sexual and reproductive health. The end of the ban on pregnant girls in school is a major first step towards inclusive education where all children, regardless of class, ethnicity, tribe, disability, location, gender, reproductive or parenting status, are able to learn in mainstream schools.

95. Given that one of the best ways to end child marriage and early childbearing is to keep adolescent girls in school, measures are needed to improve education outcomes. Multiple entry points are often needed to eliminate child marriage and achieve universal secondary education for girls. This includes among others reducing the disadvantages confronting girls in remote communities, creating a more inclusive school culture for girls, providing both boys and girls with sexual and reproductive health education, providing girls with role models, such as female teachers, and raising the returns to secondary school completion for women through local employment opportunities (see Box 2.7 on lessons from the literature). More generally, Sierra Leone, in common with many other low income countries, needs to improve basic general conditions in its education system so that all girls remain in school. Several such conditions are worth emphasizing here:

- *The need for an adequate schooling infrastructure and safe learning environment*: Secondary education completion rates are low in some areas in part because there are just not enough secondary schools to facilitate universal completion. Development of a school catchment area and rationalization plan is essential to bring schools closer to children's homes and reduce the distance to travel to school, which in turn would help with ensuring girls' safety on the way to school. School construction can reduce transport costs in areas with extremely low schooling density, with particularly positive impacts for girls, as recent evidence from Afghanistan (Burde & Linden, 2013) and Burkina Faso (Kazianga et al., 2013; Sawada et al., 2016) attests. Schools also need to provide access to water, sanitation, and hygiene (WASH) facilities, which is important for adolescent girls – this is also an area where the government could place a renewed emphasis. Where schools cannot be constructed in locations that meet the needs of specific communities, it may be necessary to provide transportation to enable girls to attend school, or implement scholarship programs that enable girls at reasonable cost to live in host families. Finally, it is essential to ensure that girls do

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[20] The Ebola outbreak in 2014 did not allow the implementation of the strategy, and it was particularly detrimental to girls' education. Schools were closed for almost an entire year, leading to higher risks of unwanted and transactional sex for food and other essentials. In part as a result, more than 18,000 girls fall pregnant (UNFPA, 2017). When schools reopened, girls were 16 percentage points less likely to be in school (Bandiera et al., 2019).

[21] Ministry of Health and Sanitation; Ministry of Social Welfare, Gender and Children's Affairs; Ministry of Basic and Senior Secondary Education; Ministry of Local Government and Rural Development; and the Ministry of Youth Affairs.

not suffer physical, sexual, or other harassment either at school or while travelling to and from school (see more generally Abramsky et al., 2014, on gender-based violence and how to reduce it in Uganda, and Mgalla et al., 1998, on a guardian program in primary schools in Tanzania with female teachers elected by colleagues and trained as guardians for female students).

- *The need to ensure that the education system delivers effective learning outcomes*: In many countries in Africa (Bashir et al. 2018), and more generally in the developing world (World Bank 2018b), student learning outcomes, as measured by national and international student assessments, are poor. Sierra Leone is no exception. This needs to be addressed through investments to ensure not just greater access but also improved quality. As noted by the World Bank (2018a), priorities in this area include increasing teacher numbers in line with standards and emphasizing subject areas with acute shortages (e.g., mathematics and science). A stronger system of in-service teacher training should be institutionalized and a teacher awards program could help encourage reductions in gender gaps in school performance. Providing in-service teacher training to challenge gender differences in teacher expectations and establishing teacher mentors to support girls could also help. Combining teacher incentives with additional resources to improve the learning environment has also been a successful strategy to improve outcomes in many countries. Finally, adopting a teacher deployment strategy to ensure more gender-balanced staffing in schools (i.e. sufficient numbers of female teachers to provide role models for girls and create a more supportive learning environment) is also a promising approach. Guidance on these and other teacher policies is available in Beteille and Evans (2018) and World Bank (forthcoming).

- *The need to ensure the participation of girls:* Schooling must be affordable for their families. Affordability refers not just to the direct costs of participation in secondary education, but also to opportunity costs. In Sierra Leone, as in neighboring low-income countries, these various costs, including expenditures for school uniforms, may remain too high for the poor. The government's FQSE Policy is a major step forward, yet it will be important to ensure that the necessary budget resources to implement the policy will be made available, which may be challenging in the current economic environment affected by the COVID-19 global crisis. Providing secondary education free of tuition and other direct costs may also not be enough to ensure the participation of all school-age children, particularly girls (see Koski et al. 2018). Sierra Leone already has some experience with conditional cash transfer programs, but such programs could be expanded to provide greater coverage of poor households, cover more of the secondary school costs for girls, and open non-formal pathways to return to school or pursue education. Also of interest are programs run by NGOs in Sierra Leone as well as other countries to cover the direct and indirect costs of schooling for girls while also supporting community-led initiatives to engage parents and train teacher mentors, staff, and parents to improve educational quality through low-cost educational resources (see for example Alcott et al. 2017; Sabates et al. 2018 in the case of CAMFED in other countries).

96. **In addition to reforms to policies related directly to education, broader efforts are required to change social norms that perpetuate gender inequality.** The importance of social norms is duly noted in Sierra Leone's National Strategy for the Reduction of Adolescent Pregnancy and Child Marriage 2018-2022. Although extensive discussion of the issue of social norms is beyond the scope of this study, it must indeed be recognized that child marriage, early childbearing, and low educational attainment for girls are part of deep-seated patterns of gender inequality (Klugman at al. 2014). Broad reforms are needed to change these social norms and address other constraints that limit opportunities for girls. The Convention on the Rights of the Child emphasizes the need for full and informed consent to marriage, noting that children do not

have the capability to provide such consent. This is one of the reasons why 18 is recommended as the minimum age for marriage. In Sierra Leone, the Child Rights Act 2007 prohibits marriage for anyone under the age of 18 but it is undermined by the Customary Marriage Act 2007, which allows marriage under 18 with parental consent. Yet while enforcing laws to this effect is an important step in the right direction, as noted by Wodon et al. (2017) most child marriages take place below the national legal minimum age, demonstrating that simply passing laws is not enough (on difficulties in enforcing child marriage laws in the case of Sierra Leone, see Plan International, 2013).

Box 2.7: Improving Educational Attainment and Learning for Girls

Several reviews consider interventions to improve education for girls and empower them, including Unterhalter et al (2014), Sperling and Winthrop (2015), Botea et al. (2017), Evans and Yuan (2019), and Wodon (2020). For example, Unterhalter et al. (2014) assess the impact of interventions promoting girls' education specifically through (1) resources (such as cash transfers) and infrastructure; (2) improved institutions responding to student needs; and (3) changed social norms, especially for those affecting the most marginalized. The review summarized the impact of different interventions on three outcomes: participation; learning; and empowerment. For each type of intervention and outcome, the evidence on the likelihood of impact is considered strong, promising, limited, or weak. For participation, the evidence for the impact of cash transfers, information about the potential employment returns to education, and the provision of schools in underserved and unsafe areas is strong. This was also true for a range of interventions related to teacher training, group learning, measures to promote girl-friendly schools, and learning outside the classroom, such as through tutoring. Group learning, programs for learning outside the classroom, and scholarships linked to student performance were also found to have impacts on learning. The evidence for the impact of interventions on empowerment was generally weaker.

Evans and Yuan (2019) note in particular that some past efforts to synthesize evidence on how to improve educational outcomes for girls have focused on interventions targeted to girls. However, non-targeted interventions benefitting both girls and boys may also improve girls' education. Looking at the evidence from a large set of interventions, the authors suggest that to improve both access and learning for girls, girl-targeted interventions may not necessarily deliver better results than interventions that could benefit boys as well as girls and are thus not specifically targeting girls. For example, cash transfer programs may be directed to households as opposed to specifically girls, or interventions for improved pedagogy in the classroom need not necessarily be gender-specific.

Specific Interventions

97. While it is essential that countries promulgate appropriate laws to facilitate the elimination of child marriage, also required are specific strategies and interventions to empower girls. In particular, interventions are required to ensure that girls have appropriate life skills and knowledge of sexual and reproductive health (SRH). Economic incentives may also be needed so that girls can afford to remain in school, return to school if they dropped out, or expand their livelihood opportunities if they cannot return.

98. To facilitate selection of interventions, this section summarizes international evidence related to three categories of interventions for adolescent girls: (1) programs that provide girls with life skills and

reproductive health knowledge; (2) programs that expand girls' economic opportunities; and (3) programs designed to ensure that girls remain in school or that enable them to return to school. Each type of program is based on a different theory of change (Box 2.8). The summary of findings provided here is based on a review of almost 40 interventions by Botea et al. (2017). To qualify for review, interventions had to (1) target girls aged 10–19, either exclusively or as part of a larger group; (2) equip girls with life skills and SRH knowledge, economic opportunities, or educational opportunities; (3) demonstrate results in terms of improving the health of young women, especially SRH, or delaying marriage or childbearing; and (4) have been tested in a developing country, usually in Sub-Saharan Africa but also in other low-income settings such as Bangladesh or parts of India (see also Kalamar et al., 2016, for another review of the international evidence).

Empowering Girls

99. A first category of interventions emphasizes empowerment of girls by providing them with life skills and SRH knowledge. One typical intervention is provision of SRH education. In Sierra Leone comprehensive sexual education has been developed to be incorporated in school curricula and will be rolled out soon. In many developing countries including Sierra Leone, adolescent girls are less likely than older women to access SRH services, including modern contraception and skilled assistance during pregnancy and childbirth. Only 4.5 percent of female young population in Sierra Leone reported that they used condom at last intercourse in the past 12 months, which was less than one third of proportion of male young population's condom use (15.4 percent). As discussed earlier, child marriage and educational attainment have an impact on modern contraceptive use. International evidence shows that SRH knowledge would generate multiple benefits, enabling girls to stay healthy, make independent decisions about their health, avoid unintended pregnancies, finish their education, engage in productive work, and choose to have fewer and healthier babies, when they are ready.

100. Another intervention is to provide a "safe space club" for adolescent girls. These clubs convene girls under the guidance of a trusted adult mentor at a specific time and place. Such clubs have proven effective when they are implemented well. By combining opportunities to socialize and have fun with access to mentors, the clubs are attractive to girls and offer a platform for other services. Clubs can be held in a variety of settings, often schools or community centers. Girls are able to discuss a range of issues under the guidance of the mentors, including those related to SRH. The clubs facilitate the delivery of life skills, including "soft" or socio-emotional skills such as critical thinking and problem solving, negotiation, and communication (for example within a girl's household). One of the objectives is often to boost the self-awareness and self-esteem of girls so that they can explore and fulfill their own aspirations. Often, safe space clubs are also used to facilitate the delivery of such "hard" skills as basic literacy and numeracy, or basic business skills.

> Without other interventions, safe space programs may not delay marriage and childbearing or improve schooling. Still, they have had important intermediary outcomes related among others to aspirations and self-esteem, confidence, and information about sexual and reproductive health.

101. These programs have helped to improve girls' knowledge of SRH and behaviors. Outcomes have included increases in girls undergoing HIV testing or counseling; greater use of modern contraception or other methods of family planning; a reduction in the desire for FGM for daughters in countries where the practice is prevalent; a reduced risk of intimate partner violence when a program also reaches out to men;

higher self-esteem; and gains in specific skills taught in safe space sessions, such as financial and basic literacy and numeracy.

102. However, without additional supportive interventions to enable girls to participate in schooling or employment or otherwise improve their livelihood options, it is not clear that safe spaces alone can delay marriage and childbearing (perhaps because that may not have been a primary goal for a club). Therefore, it is important to consider programs where safe spaces have been combined with measures to improve livelihood opportunities or offer incentives to remain in school, which are usually more effective in delaying marriage and childbearing.

Box 2.8: Theories of Change for Interventions Targeting Adolescent Girls

Life skills and SRH knowledge: By increasing their knowledge, life skills can raise girls' awareness of the risks associated with becoming pregnant at an early age and increase their desire and ability to avoid early pregnancies through family planning. Through such channels, life skills may lead to better health outcomes for the girls and their children. By increasing girls' confidence and self-esteem, life skills may also help expand their aspirations, which may heighten their motivation to delay marriage and childbearing. Finally, life skills can increase the communication and decision-making skills of young women and increase their abilities to negotiate their marriage and childbearing preferences. However, while life skills and SRH knowledge may empower girls, they may not be sufficient to delay marriage and childbearing if social norms curtailing the agency of girls are not also addressed.

Life skills and economic opportunities: Programs to increase young women's earnings potential may increase their ability to plan and improve their marriage and childbearing decisions in three ways: (1) Improvement in a woman's ability to make an economic contribution expands her role beyond that of sex and reproduction. This can increase a girl's desire to delay marriage or childbearing. The transformation of girls from economic liabilities into assets in the eyes of their communities and families can also alleviate the external pressures on them to marry or have children early. (2) The loss in earnings associated with childrearing is an opportunity cost that may increase women's desire to limit or space births and to exercise reproductive control. (3) Increased earnings may supplement a young woman's bargaining power within the household and allow her to effectively exercise reproductive control by negotiating delays in sexual debut or marriage, and to better negotiate the terms of sex, such as use of contraceptives. Creating income-generating opportunities for women can therefore in addition to the direct economic benefit also contribute to female empowerment by widening a woman's personal choice and control over SRH outcomes.

Incentives for girls to participate in schooling or delay marriage: In many communities, the economic, cultural, and social environment does not offer adolescent girls viable alternatives to marriage. Once girls drop out of school, possibly because of the school's poor quality or high cost, parents may find it difficult to identify any option other than marrying off their daughters. In such communities, providing better-quality and affordable primary and secondary education may be one of the best ways to delay marriage and childbearing. Programs to keep girls in school may also lead to tipping points in communities that make it easier for more and more girls to stay in school and thus delay marriage. A few interventions have also aimed to delay marriage by providing financial incentives conditional on not marrying early, with additional schooling often a benefit.

Providing Employment Opportunities

103. The second category of programs emphasizes both empowering girls, often through safe spaces, and providing livelihood opportunities. These programs are particularly appropriate for girls who are not in school and would otherwise have no income-generating skills. Two groups of interventions are distinguished: (1) livelihood interventions and (2) interventions to improve financial literacy and access to financial services. Impacts in terms of delaying marriage and childbearing generally (though not always) tend to be larger than for the life skills/SRH knowledge programs alone.

104. These programs often have some success in terms of increasing the earnings, employment, or savings of girls. Several programs in other countries have also resulted in increased use of modern contraceptives and improved SRH knowledge, which may help to delay childbearing. Some have also succeeded in delaying age at marriage and in reducing teen pregnancies. For example, the BRAC Uganda Empowerment and Livelihoods for Adolescent Girls proved to have the following impacts: (1) The likelihood of girls engaging in income-generating activities went up by 32 percent; (2) Among girls sexually active, self-reported routine condom use went up by 50 percent; (3) Fertility rates went down by 26 percent.; and (4) Reporting of unwanted sex plunged by 76 percent. There were also reductions in teenage pregnancies and child marriage, and a shift in community gender dynamics (Bandiera et al. 2014; Buehren et al. 2016). Clearly, adding a livelihood dimension to life skills and SRH knowledge programs may help delay marriage and childbearing. The focus on economic opportunities may also help to ensure the regular participation of girls in the programs.

> Interventions combining an emphasis on empowering girls, often through safe space clubs, with livelihood opportunities may improve reproductive health outcomes and delay marriage or childbearing. That has been the case in Uganda, for example, though not systematically so in other countries. Since these are often the only option available for out-of-school girls, more research is needed to determine what works and what does not.

Providing Incentives to Keep Girls in School

105. The third set of programs focuses on specific interventions to ensure that girls remain in school, enable them to return if they have dropped out, or directly delay marriage. There have been numerous interventions to keep girls in school and delay marriage (Kalamar et al. 2016). In a few cases, evaluations also demonstrate that programs that provide incentives for girls to remain in school often succeed in delaying marriage or childbearing. While most of these programs are designed to keep girls in school, some are also designed to enable girls who dropped out to return to school.

> Of the three types of interventions this study reviewed, those promoting education by, e.g., reducing out-of-pocket and opportunity costs for schooling, are the most likely to delay marriage and childbearing.

106. Also, effective may be conditional cash transfers to incentivize girls' schooling, promote health, and support families during shocks. These incentives are often conditional on children's attendance at school or participation in preventive medicine programs. A significant body of research shows that such transfers have been effective in promoting participation in schooling by children in developing countries. The

programs have been introduced in more than 29 low-income countries. Cash transfers without conditions and income support programs have also had numerous positive outcomes, such as reduced child labor, expanding schooling, and enhancing childhood nutrition (Bastagli et al. 2016). While not all programs succeed everywhere, the evidence is quite convincing that in comparison to the other two types of programs reviewed above, those focusing directly on schooling for girls, or in some cases using financial incentives to delay marriage, may be more successful in delaying marriage and childbearing.

Summary for Targeted Interventions

107. The three types of interventions described are not intended to be an exhaustive list. To improve girls' educational attainment, additional interventions may also be needed. The three types of interventions were selected because there is evidence that they help improve SRH knowledge and delay child marriage and early childbearing. The programs and interventions are also not mutually exclusive; implemented together, they can complement each other. While some programs are better than others in achieving the desired goals, all three categories of programs may have significant benefits of many kinds. With different interventions targeting different groups of girls (e.g., those in school or with the potential to return to school, and those who dropped out and may not be able to return), all three categories should be considered when formulating a strategy to improve opportunities for adolescent girls. Another example is associating cash transfers with measures to boost girls' agency, for example through building soft skills and promoting learning about nutrition and reproductive health (World Bank, 2012).

2.7 Conclusion: A Smart Investment for Sierra Leone's Development

108. While investments to eliminate child marriage and early childbearing and promote education for girls should not be based solely on economic considerations, the economic benefits of doing so would be large. The primary motivation for eliminating child marriage and early childbearing and promoting education for girls should be to address the substantial risks and suffering that confront adolescent girls and their children. The risks faced by adolescent girls are particularly salient today due to the COVID-19 crisis. However, this study demonstrates that in addition to these benefits, the economic benefits to Sierra Leone from such investments would be extremely significant—and the costs of failing to address related issues are proportionately high. Demonstrating the magnitude of these costs provides additional justification for investments in adolescent girls. While further work is needed to identify the best policy options for Sierra Leone, investments to improve opportunities for adolescent girls, useful lessons can be learned from international experience. Ending child marriage, preventing early childbearing, and improving education opportunities for girls is not only the right thing to do from a moral and ethical standpoint, it is also a smart investment for the country's development.

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Table A1: Sierra Leone Balance of Payments (Million USD)

	2016	2017	2018	2019	2020 Pre-COVID	2020 COVID
Current account	**-165.3**	**-781.5**	**-762.6**	**-582.0**	**-466.0**	**-611.2**
Trade balance	**-318.4**	**-551.2**	**-570.8**	**-555.3**	**-406.3**	**-620.9**
Exports, f.o.b.	**654.4**	**652.1**	**639.2**	**721.0**	**912.1**	593.3
Of which: diamonds	163.0	118.2	157.1	218.9	163.3	77.3
iron ore	129.9	131.9	13.1	60.0	70.4	0.0
other minerals	n.a	183.1	188.8	219.0	254.4	193.6
Agriculture (coffee, cocoa and palm oil)	n.a	25.1	20.9	58.0	70.5	53.7
Imports, f.o.b	**-972.8**	**-1203.3**	**-1210.0**	**-1267.4**	**-1318.4**	-1214.2
Of which: oil	-140.6	-153.0	-204.8	-193.5	-182.2	-108.7
Food	n.a	-451.9	-409.3	-236.9	-251.1	-236.0
Services (net)	-170.2	**-285.9**	**-285.4**	**-243.4**	**-314.2**	**-193.8**
Income (net)	-99.0	**-99.7**	**-71.2**	**-79.1**	**-67.1**	**-66.6**
Of which: interest on public debt	-10.1	-10.0	-7.1	-12.1	-14.6	-14.6
Transfers	**422.3**	**155.8**	**164.8**	**295.8**	**320.8**	**270.2**
Of which: Official transfers	309.1	51.7	43.1	138.8	162.7	164.2
Other transfers	113.2	104.1	121.6	157.0	158.1	105.9
Capital and financial account	65.3	**709.7**	**388.7**	**595.5**	**497.0**	**401.7**
Capital account	143.4	**147.7**	**66.3**	**97.5**	**120.1**	**116.5**
Of which: Project support grants	29.4	30.4	48.6	55.7	70.0	70.0
Financial account	-78.0	**562.0**	**322.5**	**498.0**	**376.9**	**285.1**
Of which: Foreign direct and portfolio investment	140.6	413.7	250.5	367.7	235.3	175.9
Other investment	-218.6	148.3	72.0	130.3	141.6	109.3
of which: Public sector (net)	-176.4	105.4	59.9	94.7	126.4	85.9
Disbursements	177.6	145.3	104.2	142.9	180.6	140.0
Amortization	-30.0	-39.8	-44.3	-48.8	-54.1	-54.1
Errors and omissions	-96.4	**18.1**	**377.6**	**0.0**	**0.0**	0.0
Overall balance	-196.4	**-53.7**	**3.8**	**-13.5**	**30.1**	**-209.5**
Financing	196.4	53.7	3.8	-13.5	-30.1	-4.5
Central Bank net reserves (- increase)	144.0	53.7	-3.8	-13.5	-30.1	-22.9
of which: Use of Fund credit	66.6	36.5	3.6	6.1	37.5	35.2
Disbursements	67.7	52.7	21.6	21.6	64.3	64.4
Repayments	-1.1	-16.2	-18.1	-15.6	-26.8	-29.2
Exceptional financing (CCRT first tranche)	52.4	0.0	0.0	0.0	0.0	18.5
Financing Gap	*0.0*	*0.0*	*0.0*	*0.0*	*....*	**214.0**
Memorandum items:						
(Percent of non-iron ore GDP unless otherwise indicated)						
Current account	-4.5	-21.1	-18.8	-14.0	-11.3	-15.8
Trade Balance	-8.6	-14.9	-14.0	-13.4	-9.8	-16.0
Capital and Financial Account	1.8	19.2	9.5	14.4	12.0	10.4
0f Which: Foreign direct and portfolio investment	4.2	11.1	6.1	8.9	5.7	6.1
Overall Balance	-5.3	-1.1	0.1	0.3	0.7	-5.4
Official aid (grants and loans)	6.5	1.3	1.2	2.1	2.4	2.6
Budget support in USS (grants and loans)	240.7	48.8	49.1	88.0	98.0	99.3
Gross International Reserves (excluding swaps) US$ millions	503.0	501.0	487.0	506.0	572.0	565.0
Months of imports	4.2	3.8	3.7	3.5	3.7	4.2
National currency per US dollar (average)	6417	7366	7938	9037	-	-
GDP (Million US$)	3312	3700	4082	4142	4149	3902

Table A2: **Summary of Recommendations**

Policy Area	Recommendations	Timelines
Making agriculture more productive	1. Encourage private sector participation in delivery of agricultural inputs. 2. Improve extension services to provide skills support and training for farmers. 3. Provide direct support to build a critical mass of local entrepreneurs in commercial agriculture and distribution of food products.	Immediate and short term
	1. Reform the customary land tenure system, which depresses investment. 2. Improve access to markets by investing in feeder roads. 3. Encourage private investment in selected value chains to expand agricultural productivity. 4. To support agribusinesses, enhance financial literacy, invest more in financial infrastructure, and give financial operators incentives to expand agent networks and access points.	Medium to long term
Adding value in manufacturing	1. Reinforce regulation to attract strong private investment in fish processing and rice milling and trading. 2. Foster economic links with mining by building or rehabilitating regional infrastructure that connects mines to markets and basic services.	Short to medium term
Investment in physical capital	1. Expand access to energy and improve the quality of electricity supply by reducing the frequency and duration of power outages. 2. Invest in the fiberoptic network to enlarge the footprint of digital financial services and mobile phone penetration. 3. Scale up investment in the transportation network, especially feeder roads to link farmers to market.	Medium to long term
Investment in human capital and skills	1. Improve the quality of basic and senior-secondary education and expand access. 2. Improve delivery of quality health services and expand health coverage. 3. Restructure technical and vocational education and training (TVET) and tertiary education to better align job skills with market demand.	Short to medium term
Improving the business environment	1. Make business and property registration easier. 2. Improve access to credit. 3. Enhanced investor protection. 4. Strengthen and expedite contract enforcement and solvency procedures. 5. Removal of impediments to obtaining electricity and water connections. 6. Streamlined tax payment processes. 7. Simplified processes for obtaining permits and licenses	Short to medium term

Strengthening governance and	1. Increase transparency in the public sector and intensify anti-corruption efforts. 2. Remove distortions in land markets by updating the applicable laws. 3. Streamline licensing and permit regimes and lower fees for smaller projects, especially at the Environmental Protection Agency. 4. Develop and promote platforms for government dialogue with the private sector. 5. Develop special economic zones. 6. Automate tax and customs administration. 7. Strengthen the commercial court system by regularly training judges and shorten time limits for trials.	Medium to long-term

Table A2: Medium term growth outlook (percent, unless otherwise stated)

	2016	2017	2018	2019	2020			2021			2022		
					Pre-COVID	Baseline	Downside	Pre-COVID	Baseline	Downside	Pre-COVID	Baseline	Downside
Real GDP growth, at constant market prices	6.4	3.8	3.5	5.1	**4.8**	**-2.3**	**-4.0**	**4.9**	**4.0**	**3.5**	**4.9**	**4.5**	**4.7**
Private Consumption	10.9	-0.2	13.2	2.7	1.9	4.0	4.0	8.2	9.5	9.5	10.1	10.5	10.5
Government Consumption	17.9	-4.8	-1.3	-8.6	3.8	9.5	72.8	-2.1	32.7	-8.6	11.3	6.7	-12.7
Gross Fixed Capital Formation	9.6	17.6	-20.6	17.3	11.1	-34.2	-46.6	8.6	-15.2	12.5	8.3	9.0	28.1
Exports, Goods and Services	21.7	23.3	-33.5	19.2	19.2	14.5	14.5	12.2	14.0	14.0	10.2	11.2	11.2
Imports, Goods and Services	23.9	6.3	-11.5	8.1	7	14.5	14.5	14.5	17.4	17.4	17.4	17.4	17.4
Real GDP growth, at constant factor prices	6.4	3.7	3.4	5.3	**4.8**	**-2.4**	**-4.0**	**4.9**	**4.0**	**3.5**	**4.9**	**4.5**	**4.7**
Agriculture	3.9	4.5	3.9	4.5	4.2	3.4	3.0	4.3	4.3	4.3	4.3	4.3	4.3
Industry	27.4	-5.3	-2.5	7.6	23.5	6.8	4.5	6.8	1.6	1.6	1.6	1.6	1.6
Services	4.6	5.4	4.4	5.7	1.1	-13.0	-16.0	5.3	4.3	2.8	6.8	5.8	6.4
Consumer Prices (average)	10.9	18.2	16.0	14.8	15.7	15.3	16.0	13.0	12.3	13.0	11.1	10.5	11.5
Current Account Balance (% of GDP)	-4.4	-21.0	-18.7	-14.0	-11.4	-14.2	-16.9	-10.1	-12.4	-14.4	-9.6	-11.6	-13.7
Fiscal Balance (% of GDP)	-8.9	-8.7	-5.7	-2.9	-3.4	-5.3	-8.6	-4	-5.4	-6.1	-3.6	-3.9	-4.5
Debt (% of GDP)	58.1	57.6	58.2	66.6	61.8	69.9	71.0	63	70.2	73.0	63.9	70.6	74.1
Primary Balance (% of GDP)	-8.0	-6.6	-4.5	-2.1	-2.4	0.7	-2.9	1.1	-2.4	-3.0	-0.9	-0.4	-0.8
International poverty rate ($1.9 in 2011 PPP) a, b, c	48.7	48.3	40.1	39.2	46.5	38.4	….	45.8	37.7	….	45.1	37.0	….
Lower middle-income poverty rate ($3.2 in 2011 PPP) a, b, c	80.3	80.2	74.4	73.6	77.3	73.0	….	76.8	72.3	….	76.3	71.7	….
Upper middle-income poverty rate ($5.5 in 2011 PPP) a, b, c	94.9	94.9	92.1	91.1	90	90.4	….	89.5	89.6	….	88.9	88.8	….

Sources: World Bank, Macroeconomics Trade and Investment Global Practice, and Poverty Global Practice.

Notes: e = estimate, f = forecast, *= IMF staff estimates.

(a) Calculations based on 2011-SLIHS and 2018-SLIHS.

(b) Projection n using point-to-point elasticity (2003-2011) with pass-through = 0.525 based on GDP per capita in constant LCU.

(c) Nowcast: 2016 - 2019. Forecast are from 2020 to 2022.