

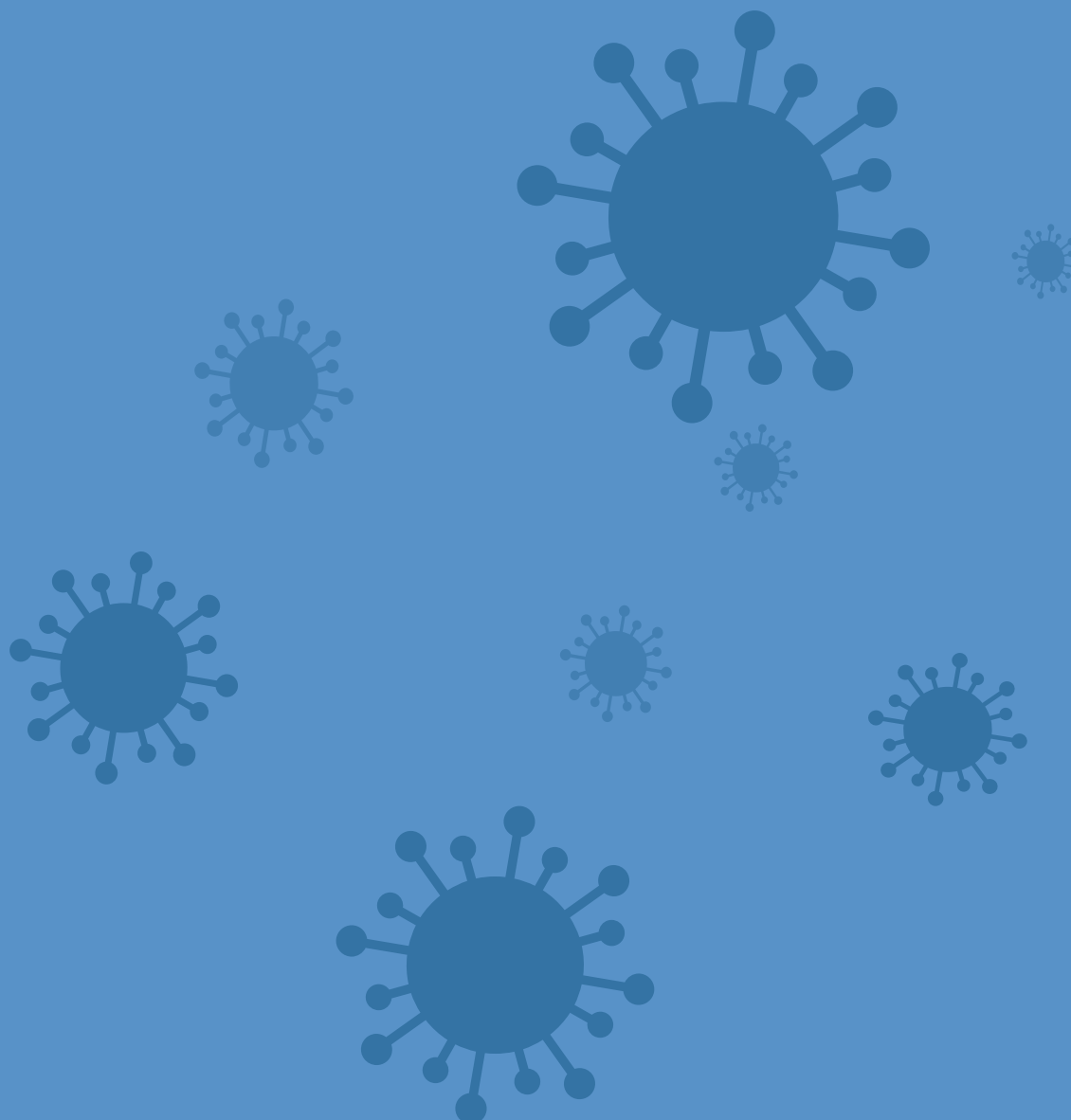


Food and Agriculture Organization
of the United Nations



National agrifood systems and COVID-19 in Sierra Leone

Effects, policy responses and long-term implications



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INTRODUCTION

The COVID-19 pandemic has put significant pressure on health systems all around the world. The drastic measures established to contain its spread are creating serious impediments to economic activity (including agrifood systems) and, consequently, to livelihoods and food security and nutrition.

The COVID-19 outbreak demonstrates both how health and food systems are linked to one another, and how local food systems are linked to global systems. High rates of urbanization and the globalization of trade and travel have contributed to the spread of the virus across countries. Lockdowns and movement restrictions within countries and across borders have disrupted national and local food and agricultural output and input markets and have caused sharp reductions in overall economic activity globally. In poorer countries, disruptions have further exacerbated the fragility of systems (including agrifood systems) and livelihoods.

The Global Report on Food Crises 2020 found that 135 million people in 55 countries and territories are facing acute food insecurity at “crisis” level or higher – a situation that requires urgent action. The report further concluded that over 183 million people were experiencing a “stressed” level of acute food insecurity and bore a high risk of sliding into a “crisis” level if confronted by additional shocks (FSIN, 2020). The situation is particularly worrisome in light of the evolving nature of the COVID-19 pandemic.

As the situation evolves, the question arises as to how, or whether, food, health and financial and economic systems could become better prepared to prevent similar outbreaks from escalating into a full-blown economic and social crisis.

This report is part of a series of country profiles that describe: (i) policy measures enacted by governments to contain the spread of the virus; (ii) policies and measures to stabilize the functioning of agri-food systems; (iii) potential effects of policies on agri-food systems and vulnerable groups. Finally, the profiles also assess longer-term options for agri-food system policies and investments so as to make them more resilient.

POLICY MEASURES TO CONTAIN COVID-19

What major measures have been taken to contain the spread of the virus? How are they evolving?

The Republic of Sierra Leone reported its first confirmed case of COVID-19 on 31 March 2020. Although this was later than many countries in the region, the number of cases and deaths in the country have risen since then. As of 28 August 2020, there were a total of 2 013 confirmed cases, with 70 deaths and 1 581 recoveries. Cases have now been reported in 14 districts outside of the Western Area. The fatality rate has been high relative to other countries in the ECOWAS (Economic Community of West African States) region.

Since the pandemic began, the Government of Sierra Leone (GoSL) has implemented several policies and measures designed to curb the spread of the disease. At the time of writing, all measures are still in place except where explicitly noted (IMF, 2020a; OECD, 2020).

- March 15: All international arrivals are quarantined. Gatherings of more than 100 people are banned.
- March 22: All international flights are grounded.
- March 24: A 12-month national emergency is declared.
- March 27: All land borders are closed.
- March 30: All educational institutions are closed.
- March 31: Village markets and restaurants are closed or restricted, while open air markets in urban areas remain open. Social gatherings are limited to 20 people. Hand washing facilities are mandatory in public locations, including transport. Limits are placed on the number of people allowed on public transport at one time. Places of worship are closed.
- April 5: A three-day nationwide lockdown is declared. Movement is restricted for all people, with a few exceptions
- April 9: In the absence of a continued nationwide lockdown, a curfew is implemented from 23.00 to 09.00 hours until further notice to limit all non-essential movement outside of normal working hours.
- April 9: Inter-district domestic travel is restricted and checkpointed; some exemptions are allowed for essential workers.
- May 3: An additional three-day national lockdown is declared until May 5.
- Measures still in effect when the report was finalised: Meetings are restricted to 50 people with certified names; Many offices are closed. The GoSL requires non-essential public employees to work from home if possible. Working hours are restricted (Monday-Thursday: 9 a.m. – 4 p.m. hours; Friday: 10 a.m. – 3 p.m. hours).

The GoSL has taken a slightly different approach to the pandemic by implementing short-term national lockdowns of three days each, combined with policies of social distancing and a ban on inter-district travel, rather than imposing longer-term lockdowns like many other countries have done. These relatively less severe measures were due to the government's deep concern about the negative economic consequences of prolonged comprehensive restrictions. At the same time, the GoSL is focused on how economic activities can continue to avoid contributing to the spread

of COVID 19 (Grieco and Yusuf, 2020). Based on the country's experience with Ebola, it is also logical to expect that resources for the pandemic will be managed in an effective way pending a thorough assessment. Despite social distancing measures, cases continue to increase, and a change in the measures taken to prevent the spread of the pandemic should not be ruled out.

AGRIFOOD POLICY MEASURES TO RESPOND TO THE EFFECTS OF THE CRISIS

What are the major measures (in place or expected) to be enacted aiming at the food system directly?

This section provides a brief overview of the structure and governance of the government response to the pandemic. In addition to the containment measures described above, a number of key policy responses have socio-economic and system impacts and these are summarized below (IMF, 2020):

The Quick Action Economic Response Programme (QAERP)

The QAERP aims to mitigate broader socio-economic impacts of the pandemic by: i) ensuring a stable supply of essential commodities and food; ii) providing support to affected micro, small and medium enterprises (MSME); iii) scaling up social protection and providing safety nets to vulnerable groups; iv) supporting labour-intensive public works that will provide support and favourable employment for the most vulnerable people; and, v) providing assistance for the local production and processing of staple food items. The Ministry of Finance (MoF) has sought support from development partners to finance the QAERP. The programme has five objectives, each of which includes specific strategic actions. The strategic actions that relate directly to the agrifood system are listed below:

Objective 1 (ensuring a stable supply of essential commodities and food):

- provide tax deferments to importers and manufacturers of locally-consumed goods;
- support the private sector in the importation of essential food commodities by providing foreign exchange resources (BSL, 2020);
- provide a special loan facility at concessional rates to support the production, importation and distribution of essential goods and services;
- establish a stock and price monitoring system for essential commodities.

Objective 2 (providing support to affected micro, small and medium enterprises – MSME):

- de-risk lending to MSME through guarantees and concessional interest rates.

Objective 3 (scaling up social protection and providing safety nets to vulnerable groups):

- provide food assistance to vulnerable groups.

Objective 5 (providing assistance for the local production and processing of staple food items):

- provide farm inputs to small-scale farmers prior to the planting season;
- increase access to farmer extension services (GoSL, 2020).

Exemptions and adjustments for sector actors

The GoSL has made several exemptions and adjustments to the lockdown measures and movement restrictions that are designed to maintain the functionality of food supply chains during the crisis. These include:

- declaring food service workers, food processors and manufacturers, farmers, distributors, logistics providers, marketers, and traders as 'essential workers' and therefore exempt from lockdown or curfew measures;
- ensuring that there are no bans on imports or exports, and fast-tracking food imports through customs, especially staple food products such as rice, wheat and sugar.

Open air markets have not been banned in Sierra Leone, but several restrictive measures have been implemented in order to limit the spread of the disease. These measures include the mandatory use of handwashing stations prior to entry; the mandatory use of facemasks by buyers and traders; dedicated entry and exit points; one-way flow of human traffic in corridors between market stalls; and ensuring that similar commodities are sold in the same areas to enhance the one-directional flow of people.

Support to financial institutions

Preliminary estimates indicate that the financial sector will be hit hard by the COVID-19 crisis. The pandemic has affected the trade, commerce, construction, small and medium enterprises (SME) and tourism sectors, all of which stand to see significant reductions in revenues in the short term. A broader economic slowdown would increase the level of non-performing loans, which would be written off against their capital thereby eroding the ability of banks to finance the economy in the medium to long term. Higher risk premiums would likely motivate banks to move assets into safe-haven investments, which would crowd out private investment and redirect resources away from the MSME and local production sectors, to which much interest and attention has been given in national development plans.

The Central Bank of Sierra Leone has taken several measures to ensure fiscal and monetary stability throughout the crisis. These measures, which will affect the country's capacity to maintain an adequate supply of essential food products, include:

- reducing the monetary policy rate from 16.5 percent to 15 percent as of 19 March;
- creating a special credit facility to support the importation, production and distribution of essential commodities and food products;
- extending the reserve requirement maintenance period from 14 to 28 days to ease tight liquidity;
- providing foreign exchange resources to ensure the importation of essential goods.

Under QAERP, the government plans to provide guarantees on loans to MSME as well as negotiating with commercial banks to suspend the collection of interest payments from MSMEs in hard-hit sectors, such as tourism and hospitality. It is unclear whether these measures will involve the government in subsidizing these loans or replacing the forfeited interest payments, while progress in the implementation of plans to stabilize the financial sector is unclear (GoSL, 2020). It is not known whether other important and struggling sectors, such as agribusiness, will be able to qualify for interest payment suspension relief programmes (IMF, 2020).

What policy measures are in place or expected that aim to mitigate the effect of the crisis on vulnerable groups and their livelihoods?

As reported in the previous section, several measures under the QAERP address vulnerable groups and their livelihoods directly. These are described below (Grieco and Yusuf, 2020).

Social protection

- The World Bank has pledged an additional USD 26 million to Sierra Leone's social safety net programme in light of COVID-19. The programme, which is managed by the National Commission for Social Action (NaCSA), will expand to reach an additional 35 000 extremely poor households throughout the country. The proposal under QAERP was to double the transfer size from USD 15/month per household to USD 30 for up to 9 months.
- The World Bank will fund a one-time cash transfer to 29 000 informal sector workers in Freetown, Bo, Kenema, Makeni, and Port Loko.
- NaCSA will oversee a 4 billion leones (SLL) or USD 410 000 cash and in-kind transfer programme for people with disabilities.
- Health insurance, school tuition, food and lodgings will be provided to all healthcare workers;
- QAERP will institute a national microcredit scheme.

Subsidies and price controls

- The government provided general subsidies or direct payment assistance for fuel and water during the three-day lockdown periods.
- The government has taken measures to prevent price gouging in markets, although enforcement, as in many other countries, remains a challenge.
- There have been subsidies on rice imports at various points in Sierra Leone's recent history, but these were removed prior to the COVID-19 crisis at the request of the International Monetary Fund (IMF). It is unclear if price controls or official subsidies on food products will be reintroduced.
- Interviews with stakeholders indicate that the implementation of the QAERP is a major challenge, particularly the economic relief programme, given delays in the disbursement of funds made available through commercial lending support. For example, the main trade association for small and medium agribusinesses, which has about 350 members around the country, has reported that their members have had difficulties in accessing funds from the QAERP.
- The Ministry of Trade and Industry (MTI) reported that there has been no delay on the disbursement of funds *per se*. Perceived delays can be attributed to an improved monitoring and selection process for disbursing relief funds, based on experiences from the Ebola response funding in 2014. The process was reformed to ensure that disbursements remained apolitical and systematic and that proper buy-in was received from the commercial financial institutions that act as intermediaries to disburse the funds to businesses.

- There are potential trade-offs between establishing a rigorous system of oversight and widespread disbursements and meeting the needs of expediency and efficiency that an emergency such as COVID-19 requires.
- Based on preliminary feedback, MSME have found the temporary exemption from tax payments especially helpful as they wait to access emergency funds through commercial lending institutions.
- There are challenges related to leakages in the targeting and distribution of social support mechanisms.

How is the government funding the measures described above?

The GoSL has relied on external funding for basic budgetary support since at least the end of the Sierra Leone Civil War (1991-2002) and was already experiencing debt distress and budgetary deficits prior to the outbreak of COVID-19. The current crisis threatens to aggravate an already perilous situation for Sierra Leone's public finances. For this reason, the establishment of the QAERP has involved several initiatives around public finance:

- obtaining additional emergency support from the IMF to augment the current extended credit facility programme;
- seeking debt relief from bilateral partners and multilateral agencies;
- accessing resources from the World Bank and other development partners to supplement public budgets in order to implement emergency programmes (see also previous section);
- seeking additional grant financing and technical assistance from development partners;
- seeking in-kind support from development partners and the private sector.

The GoSL budget for Year 1 of the crisis response amounted to approximately USD 63 million and was later updated to reflect a total funding gap of USD 96.4 million. The following is a rough breakdown (as of the end of May) of the allocated and committed funding sources underpinning the response:

- A total of USD 40 million has come from bilateral and multilateral donor commitments (Grieco and Yusuf, 2020);
- a disbursement of USD 143 million has been made from the IMF's Rapid Credit Facility (IMF, 2020b);
- in-kind donations have been made by a range of individuals, foundations and governments, including the Jack Ma Foundation, the Alibaba Foundation and the United Arab Emirates.
- the GoSL has committed USD 7 million to the response, paid into a separate fund set up by the MoF to help ensure transparency. The GoSL is expected to demonstrate a strong capacity to manage emergency funds, given the Ebola experience:
- the QAERP has established a management committee that reviews all funding proposals submitted by financial institutions, which will manage their own processes for reviewing and approving funding requests by MSME. Funds are earmarked for disbursement to women-owned businesses and other priority economic actors (such as micro and small agribusinesses), as single-digit interest loans, with extended repayment periods of up to 36 months; exact loan sizes will be determined by the financial institutions.

The Central Bank, with support from the MTI and the Small and Medium Enterprise Development Authority (SMEDA), is providing oversight and fund management functions to ensure that all funds reach their intended targets through the financial intermediaries.

Should the COVID-19 pandemic be prolonged, with a medium- to long-term global economic downturn, there will be serious implications for Sierra Leone's capacity, not only to manage the response, but also to maintain normal government expenditures.

IMMEDIATE EFFECTS OF THE CRISIS ON MOST VULNERABLE PEOPLE AND THE AGRIFOOD SYSTEM

What are the immediate effects of the crisis and the different sets of measures on agrifood systems?

It is important to understand some of the major challenges to the strength and sustainability of food systems in Sierra Leone prior to the pandemic in order to better appreciate how the crisis is both exacerbating pre-existing challenges and creating new ones. The following are some of the major challenges and constraints to agri-food systems in general (this is not an exhaustive list) (World Bank, 2017):

- **Heavy reliance on food imports:** Sierra Leone is a net food importing country (FAO, 2020a). Domestic production is not sufficient to meet domestic food demand, and about 28 percent of all food for domestic use is imported (FAO, 2020b). Supporting agriculture and, in particular, postharvest value-added activities, to be more competitive with staple food imports in terms of quality and price has been a high-level policy goal in Sierra Leone for the past several decades.
- **Low production yields:** Production yields for staple food products are low, even by regional standards. In some parts of the country, rice yields are less than 1 tonne per hectare compared to an average of 2.22 tonnes per hectare in sub-Saharan Africa and 2.65 tonnes per hectare in West Africa. This is due to many reasons, chief among them the difficulties in establishing reliable distributional supply chains for agricultural inputs (e.g. seeds and equipment) and stable private markets for goods and services.
- **Uncompetitive agro-processing sector:** Building up the agroprocessing sector has been a major government goal for many years, but there are persistent challenges. Agroprocessing promises to be a fruitful source of off-farm employment; it can lead to a path of industrialization and structural transformation and can help reduce postharvest losses, which are high in Sierra Leone. However, many agro-processing firms for key food staples, such as rice, fruit, cassava, palm oil and poultry, are not competitive with imports in terms of price and quality, and need significant support, including from donor agencies. There are a number of reasons for this, including weak entrepreneurial and technical skills on the part of entrepreneurs, firm managers, farmers, and labourers; the high costs of inputs; a high regulatory burden that increases the costs of doing business; poor transport infrastructure; and limited access to finance for small and medium enterprises. As an indication of the extent of these challenges, Sierra Leone ranked 163rd out of 190 countries in 2020 in terms of ease of doing business (World Bank, 2020a). The World Bank's 2019 Country and Policy Institutional Assessment (CPIA) shows that Sierra Leone's score worsened between

2013 and 2019.¹ Gaps exist in coordination between ministries, leading to contradictory policies, which compromises the enabling environment for investments and development. More specifically, public agencies (e.g. the Sierra Leone Investment and Export Promotion Agency – SLIEPA – and the Bureau of Standards) that provide technical support to farmers and agribusinesses are often poorly-staffed, under-budgeted and have little capacity to meet the demands of the sector.

As a result, Sierra Leone is meeting the COVID-19 crisis with an already constrained agricultural sector, whose domestic capacity is not generally prepared to meet the food security demands of its population even without considering the new threats to imports, agricultural inputs supply chains, and increased governmental budgetary pressures that are likely to arise from the present crisis.

The following describe some of the ways in which the current crisis is affecting agrifood systems, either by aggravating existing challenges or posing new ones altogether (RPCA, 2020; CORAF, 2020):

Effects of lockdown measures on agricultural labour and transport of goods.

While Sierra Leone has not implemented a widespread or prolonged national lockdown (OECD, 2020), even the limited restrictions on inter-district travel have severely impacted food systems. It is not yet clear whether actual production or yields at the farm level have been affected, but it is already severely impacting the rural-urban food trade and supply networks and the ability of transport operators to safely and efficiently transport food products from rural areas to urban markets. Although food transport workers are technically exempt from movement restrictions, there are reports that traders are making fewer trips between rural and urban areas. This is probably due to a number of factors, including fear of contracting the disease, fear or suspicion of the police and armed forces, which are operating inter-district checkpoints, and a perception that the opportunities are less profitable now, given that costs have increased due to movement restrictions.

Social distancing measures are preventing agricultural labourers from working the land. According to informal reports, despite the fact that the agricultural sector is technically exempt, inter-district travel bans are blocking many seasonal workers, who would otherwise travel between districts in search of work. Farming in Sierra Leone is often done through ‘group work,’ whereby farming communities will work together on each other’s land in rotating groups. This requires the internal transport of groups of people, which has been *de facto* restricted during the present crisis, either through the tacit discouragement of congregations of large groups of people, through general fear of movement and gatherings among rural people, or through decreased frequency and availability of transport (and the resulting increased cost) between rural villages.²

Disruptions to supply chains of key agricultural inputs

Sierra Leone has not banned the import or export of any product. However, due to the closure of the airports and national land borders, imports are nonetheless *de facto* restricted. Commercial air cargo is normally used to transport imports; as of August, commercial planes have not entered

¹ The CPIA rates countries against a set of 16 criteria grouped in four clusters: i) economic management; ii) structural policies; iii) policies for social inclusion and equity; and iv) public sector management and institutions. The criteria are focused on balancing the capture of the key factors that foster growth and promote poverty reduction.

² Based on conversations with stakeholders.

the country with any regularity, thus limiting the quantity and availability of key imports.³ While the government has prioritized imports of critical foodstuffs, such as rice and wheat, it has not prioritized agricultural inputs to support the domestic production sector.

There is a strong probability that some agricultural and agribusiness sectors will be deeply affected by restricted access to inputs. For example, discussions with relevant actors revealed that the domestic poultry sector is experiencing significant challenges due to the current situation. The sector has received considerable support and attention from the GoSL and development partners due to its potential to help replace imports and support domestic food security. However, there is still no reliable domestic hatchery in the country and poultry farmers rely on imported day-old chicks from Germany and on feed concentrate from Holland. Both of these are normally transported by passenger planes, which have been disrupted due to the airport shutdowns and border closures, leaving the domestic poultry sector in the lurch.

Food losses at the farm level and resulting effects on prices

Logistical bottlenecks are becoming frequent and domestic supply chains of almost every product have been severely disrupted by the crisis. Even if domestic production has not yet been seriously affected, the ability to transport agricultural produce from the rural areas to processing firms and/or to urban markets is severely constrained due to limitations on the movement of traders between districts. A lack of adequate food storage facilities at the farm level, particularly cold storage for perishables, has contributed to rising food losses as per reports from key agribusiness stakeholders.

This is evident in reports from the fruit subsector. Under normal circumstances, fruit, such as pineapples and mangoes, is transported from rural areas to urban markets on a daily basis. While they are technically exempt from movement restrictions, fewer traders are going into the rural areas at the moment and the distribution system is fundamentally broken. There have reportedly been major losses of perishable fruits due to this situation and a limited supply of fresh fruits and vegetables is available in urban markets, leading to an increase in prices that is hurting domestic consumers. At the same time, farmers are not receiving the benefit of the increase in prices due to unsold produce.

Limitations in advisory support and extension services

Travel restrictions and social distancing measures have prevented much needed training, technical assistance, advisory support and extension services for farmers and processors, agri-entrepreneurs, etc. A business development services provider for a leading bilateral aid programme reported that they have transitioned almost entirely to providing digital support for their clients using WhatsApp. While the transition has largely been successful, limited broadband coverage in many rural areas has proved challenging.

Market closures and disruptions to local markets

Occasional rural markets, known locally as 'lumas,' have been banned by the government, despite the fact that urban markets have been allowed to operate with new safety measures. This has affected the ability of petty traders to offer sales opportunities to farmers and their transport operators (Grieco and Yusuf, 2020).

³ Based on conversations with stakeholders.

A closer look at increases in food prices

Based on the stakeholder interviews conducted for this report, there appears to be some debate as to whether reported increases in food prices can be verified and, if prices have indeed increased, to what extent they can be attributed to the COVID-19 crisis. Below is a brief summary of the different perspectives on the issue of increasing food prices, based on conversations with key public and private stakeholders:

Informal reports of increased food prices

Stakeholders from agribusinesses and their related industry associations have been conducting periodic spot checks in both rural and urban food markets since April 2020. They have observed steep price increases for a number of key agricultural food products. These include the following food items (between the baseline numbers that trade associations reported in 2019 and the prices they observed in July 2020):

- apple prices increased by 100 percent;
- rice prices increased by 150 percent;
- mango prices increased 200 percent;
- banana prices increased 400 percent;
- pepper prices increased 900 percent.

It should be noted that his price data is not official, but rather is based on informally reported market observations by food industry operators.

Official data does not coincide with informal reports of price increases. Data reported by FAO-GIEWS do show price increases for basic food items between July 2019 and July 2020 and between January 2020 and July 2020 for basic food items in places like Freetown those increases as not nearly as high as those reported by by traders (FAO, 2020c). MTI reports that all goods and services have been able to move within the country without major restrictions, and that official data do not support the notion that food prices have increased dramatically as a result of COVID-19 measures. As of the writing of this report, the official data collected by MoF has not been made publicly available.

The claim that higher prices are the result of COVID-19 is mainly attributed to the increased costs of transportation borne by farmers and traders. While value chains are technically exempt from official movement restrictions, there have been periodic restrictions on the number of people allowed in transport vehicles (from ten people pre-COVID, falling to four people in April), which has reduced the profit margins of transporters and increased costs to farmers and others needing to transport agricultural commodities. Some farmers and agribusinesses have reported that police checkpoints are slowing down transport traffic thus increasing transaction costs. Being largely unbanked (lacking working capital) , farmers have been unable to arrange for their own transport outside of the existing networks, which reportedly increased their prices by up to ten times by April 2020.

Alternative explanations for observed increases in food prices

Others, including both public and private sector stakeholders, are not convinced that price increases are the result of COVID-19. There have been increasing inflationary pressures in Sierra Leone in the past three years. Cereal prices, in particular, were already above average due to currency depreciation and the country's high dependence on imports. In March, just as the pandemic was landing in Sierra Leone, an alarming 60 percent of households were already spending over 65

percent of their income on food (FAO, 2020a). Inflation and rising prices were already at work before COVID-19 and thus price increases may only partly due to the supply chain issues caused by the present situation. Similarly, recent reporting from the Global Information and Early Warning System on Food and Agriculture in May 2020 (FAO, 2020d) indicates that prices of staple food in Sierra Leone continued to increase through the first half of 2020, mostly due to macroeconomic factors, including the high inflation rate, the liberalization of the exchange rate, and the weakening of the local currency. By February 2020, the year-on-year food inflation rate had increased to 8.3 percent.

Furthermore, there is a seasonal variability in rural food prices, along with international price variation for crops, and it is possible that these normal price variations, coupled with pre-existing inflationary pressures are important underlying factors behind increased food prices (including COVID-related restrictions). What emerges from the analysis above is that multiple factors, including macroeconomic factors, fluctuating seasonal price variation, as well as those factors resulting from supply chain challenges due to COVID-19, are all compounding together to affect food prices at different levels of agri-food value chains.

Economic/financial impacts on agribusiness MSME

The COVID-19 crisis has caused enormous economic dislocation among MSME and many firms are finding it very difficult to remain in business. Considerable effort has been made to revitalize the MSME sector in the years since the Ebola crisis, particularly agribusiness firms, and the past three months threaten to erase six years of progress. Companies have lost significant revenues due to the contraction of consumer demand, movement restrictions and the overall global and national economic slowdown; this has limited remittances from abroad, which have traditionally served as an additional source of capital for businesses. The importance of MSME to Sierra Leone's economy cannot be overstated; they account for approximately 98 percent of all businesses, 84 percent of employment and contribute about 70 percent to national GDP. There have been several surveys of MSMEs in Sierra Leone in the past months since the start of the pandemic to evaluate overall business health, market entry/exit, and employment statistics, and some key findings from two of these surveys are presented below:⁴

Business closures and revenue reductions:

- Ninety-three percent of MSME reported a severe reduction in revenues. Eighty-eight percent are rethinking their business models or considering dropping out of business entirely. Forty-seven percent report that they are likely to consider new business opportunities and will be unable to maintain current operations beyond another month under the current circumstances.
- Due to the reduced number of incoming airplanes due to national border shutdowns, there are fewer opportunities for export cargo transport, and thus the costs for exporters have increased dramatically. Quite a few SME that have recently entered export markets for palm oil, ground cassava, and certain fruits and vegetables have expressed serious concerns

⁴ The two studies include a survey of 1 674 MSME across a number of sectors in Sierra Leone, including agribusiness, conducted by the Sierra Leone SME Forum and a survey of 25 agribusiness MSME that make up the first cohort of the agribusiness accelerator (SL-Agcelerator) of the Sierra Leone Agroprocessing Competitiveness Project (SLAP-CP), funded by the World Bank and administered by the Macroeconomics, Trade and Investment (MTI) Global Practice. While the sample size is relatively small, its focus on agroprocessing and agricultural SME provides a useful snapshot of how the crisis is affecting business planning, operations, and employment in the agribusiness sector. The firms interviewed for the survey come from a range of subsectors, including palm oil processing, poultry farming, cassava and potato farming and processing, assorted nut processing, snacks production, rice milling, honey collection and processing, frozen seafood, local coffee production, and fruits and vegetables production and processing.

⁴ Impact of COVID-19 on Micro, Small, and Medium-Sized Enterprises in Sierra Leone. Sierra Leone SME Forum; Business Coalition on COVID-19. May 2020.

about losing longer-term export markets and international buyers, and therefore are facing cashflow problems.

- Twenty-four percent of the businesses surveyed by the SL-Agcelerator programme have temporarily closed; 50 percent of these are unsure whether they will resume operations within the next six months. The businesses estimate, given the current circumstances, that they can remain in operation for about eight more weeks without significant external support, given the current circumstances; eighty-five percent of the firms anticipate an average of 60 percent drop in revenues over the coming six months (World Bank and MTI, 2020).

Business operations and disruptions to supply chains:

- Eighty-nine percent reported severe problems with the reliability of their supply chains; agribusiness SME, particularly in processing, have reported widespread constraints in access to agricultural production, mainly due to logistical and transport challenges in procuring the appropriate quantities of raw materials from the farm-level (Sierra Leone SME Forum, 2020).
- Seventy-two percent of the companies surveyed by the SL-Agcelerator programme have experienced significant disturbances to their business operations. Of these, 96 percent are seeing disruptions in their supply chains; 55 percent are seeing disruptions as a result of increasing costs; 48 percent attribute the disruptions to the unavailability or scarcity of raw materials or packaging supplies; and 38 percent due to mandated or *de facto* restrictions on movement (World Bank and MTI, 2020).
- The most commonly reported causes of financial losses were lost investments due to cancelled purchase orders; a break in market linkages; and limited or lack of access to market centres.
- The inability of business owners to travel abroad has put many plans for expansion (to purchase new equipment, for example) on hold.

Effects on employment:

- Eighty-five percent of the companies surveyed by the SL-Agcelerator programme reported that an average of 40 percent of their employees may be laid off over the next six months (Sierra Leone SME Forum, 2020).

Access to finance:

The survey of firms in the SL-Agcelerator programme asked specific questions related to how the current situation has affected agribusiness MSMEs' access to finance. A summary of these findings is below (Sierra Leone SME Forum, 2020):

- Eighty percent of the companies surveyed had prior access to commercial finance; of these, 48 percent have experienced a drastic change in the supply of financial services.
- Over 90 percent of the companies report critical cashflow shortages due to the decreased spending power of their customers.
- Eighty percent of the businesses have either already fallen into arrears or expect to fall into arrears in outstanding liabilities over the next six months; liabilities include loan payments, taxes, payroll taxes, credit taken on raw materials/supplies, equipment rental and staff salaries/benefits.

- Some 52 percent of the companies reported a greater demand for their products, although over 92 percent reported a reduction in sales. This disparity can be explained by cash flow constraints, lack of operating capital, lack of access to inputs (or increased costs of inputs), reduced productivity at the farm-level and decreased access to raw materials, closures and constrained staff times, overall supply chain disruptions, and reduction in remittance flows from relatives abroad that normally go toward supporting operational cashflow. This indicates significant missed opportunities to take advantage of the growth of local markets during a crisis.

What have been the immediate effects of the pandemic and the various measures taken on people's livelihoods, food security, malnutrition status and future prospects?

As previously noted, despite a timely start to the rainy season, movement restrictions and limited access to land, inputs and agricultural labour may have disrupted the main planting season (April–July) for rice, the main staple crop. Significant seed shortages have been caused by market disruptions, while farmers consumed part of the seeds meant for planting in their need to access food. This affected the outcome of the 2020 main cropping season and is likely to affect the season to come (FAO, 2020a).

The Government of Sierra Leone has ensured that imports of essential food products, such as rice and sugar, are not restricted, and so far the international supply chains for staple commodities have not been adversely affected. However, the distribution of imported staples in the rural regions has been problematic due to the interdistrict travel bans, a problem that has not been adequately addressed by the government.

Increasing food prices have exacerbated the effects of the pandemic on Sierra Leone. By March, most households were spending the largest part of their income on food. Since then, income losses associated with the measures taken to contain COVID-19 have further hampered access to food. In addition, the effects of the containment measures have affected the flow of farm produce to markets.

Interviews with stakeholders indicate that farmers, agribusiness SME and their workers have seen marked reductions in remittance flows since March 2020, likely a result of the global economic downturn and job losses among the Sierra Leonean diaspora. In 2019, 1.58 percent of Sierra Leone's GDP relied on remittances, making the country 26th in sub-Saharan Africa in terms of dependence on remittances (World Bank, 2020b). Stakeholders suggested that the loss of remittances has affected rural communities in terms of income, ability to invest in the upcoming planting season and the ability to meet food and nutritional needs during the crisis.

Even before the pandemic began, the Cadre Harmonisé⁵ projected that over 1.3 million people – 27 percent of Sierra Leone's population – would face severe acute food insecurity during the lean season (June–August 2020), mainly in the districts of Bonthe, Kenema and Moyamba. The COVID-19 crisis has worsened what was already a dire situation, due to market disruptions, mainly affecting smallholder farmers, urban slum dwellers and other vulnerable groups such as female-headed households (FAO, 2020a).

⁵ The Cadre Harmonisé is an ECOWAS/Sahelian regional framework that aims to prevent food crises by identifying affected populations and offering appropriate measures to improve their food and nutrition security.

There are serious concerns that the COVID-19 pandemic could aggravate an already severe nutritional deficit in Sierra Leone. Chronic malnutrition is already high, with stunting at 37.5 percent (compared to the developing country average of 25 percent) (Grieco and Yusuf, 2020). During the Ebola crisis, social distancing measures and the reallocation of government resources to crisis response led to a decline in nutrition screening, followed by an increase of acute malnutrition post-outbreak. This further underscores the need for nutrition support to be strengthened during the current pandemic.

Which groups are most likely to be severely impacted by the COVID-19 pandemic and the associated measures?

Using the country's previous experience with Ebola as a predictive guide, everyone in Sierra Leone is likely to be affected in some way, since these types of crises tend to be systemic and far-reaching. However, some groups have particular vulnerabilities that are worth noting.

- Globally, men are more likely to be infected with COVID-19 and to suffer more severe complications and death. The exact reasons for this are not known, but past epidemics have shown that men typically have worse outcomes than women for severe respiratory illnesses (UKRI, 2020). The gender-disaggregated statistics for both infection and death rates are similar in Sierra Leone.
- The coronavirus poses unique threats to women, since they often serve as both healthcare workers and family caretakers, thus increasing the risk of the spread of the disease to their households. Sierra Leone has the highest maternal mortality rate in the world. Accordingly, the country's Community Health Workers (CHW) programme is heavily focused on reducing maternal mortality. Badly in need of health personnel to assist with the COVID-19 response, the GoSL redirected personnel from the existing health system, including Community Health Workers, to contact tracing and case management for COVID 19. The reallocation of CHW workers away from ante-natal and postnatal care could further increase maternal mortality rates (Grieco and Yusuf, 2020).
- Lockdowns, quarantines and other forced home confinement measures may result in an increase in the rates of domestic violence. A UN Women study found that there was a reported increase in the incidents of rape of minors and domestic violence during the three-day lockdown periods in Sierra Leone (UNOWAS, 2020).
- There is evidence from the Ebola virus experience that the crisis had specific effects on women, which could reoccur during the current situation. Pregnancies increased in quarantined rural villages which, it was speculated, was linked to girls being out of school for a prolonged period of time. Furthermore, if resources are constrained at the household level, resource allocation typically favours males in terms of both schooling and caloric intake (Grieco and Yusuf, 2020).
- Social distancing requirements and limitations on public gatherings pose a threat to smallholder production, marketing activities, incomes and livelihoods. Interviews with agribusiness SME report that their farmer suppliers are in critical need of emergency support to deal with the fallout from COVID-19. A lesson learned from the Ebola crisis was that governmental resources around livelihoods and social protection support tend to go to urban populations first because they are the most accessible, highlighting the need to ensure that emergency resources are able to reach remote rural locations as well.

- There is risk of increased child labour in agriculture, as smallholder household poverty rates rise while children are out of school. Moreover, children will no longer have access to school meals until alternative means are found to deliver them.
- While food processors are technically allowed to operate, their inability to access key imported inputs, as well as the decline in consumer spending, is forcing many small-scale food production companies to take prolonged breaks. As a result, many manufacturers are putting staff on unpaid leave or furlough in addition to reducing their scale of operations.

FOOD FOR REFLECTION: LONG-TERM POLICY IMPLICATIONS

This section aims to prompt thinking and dialogue on the longer-term implications of COVID-19 in terms of managing the food system to prevent a health crisis becoming a food security and nutrition emergency.⁶

What structural factors exacerbate the impacts of crises such as COVID-19? What are the related longer-term policy implications, for example, in terms of long and fragile supply chains or weak biosafety controls?

A key challenge for agriculture and agribusiness in Sierra Leone is the non-competitiveness of domestic production and processing of staple and non-staple food products. These activities have comparatively high operational costs, fragmented markets, weak regulatory frameworks, poor policy coordination, low public capacity for food safety and standards enforcement, weak macroeconomic and financial infrastructure, a lack of key skills and the capacity to produce high quality and safe food products at market-competitive costs (World Bank, 2017). These problems existed before the COVID-19 crisis and will persist and be intensified in the current circumstances.

The COVID-19 crisis would appear to present an opportunity for agribusiness SME in Sierra Leone to fill the void created by fragmented global supply chains and reduce the country's heavy reliance on food imports. Indeed, agribusinesses report that the demand for locally-produced food products appears to have increased since March 2020, despite their inability to meet these demands due to cashflow and other operational constraints (World Bank and MTI, 2020). However, a number of structural challenges will make it difficult for SME to achieve progress toward food self-sufficiency. These include the following (World Bank, 2017):

- Most SME lack market competitiveness, capitalization, technical skills, and the market penetration needed to take advantage of opportunities presented by the increased demand for local food, especially during a time of crisis and limited resources.
- Agribusiness SME have lost revenues, inputs and labour as a result of the pandemic and are likely to find it difficult to start up again at pre-crisis levels. Indeed, preliminary studies indicate that up to half of all agribusiness SME may be forced to close down altogether over the course of the next several months (World Bank and MTI, 2020)
- Domestic markets are small and fragmented in Sierra Leone. Any process of import substitution driven by SME would need to be heavily supported by public and donor programmes, at least in the short- and medium-term, with affordable and flexible finance

⁶ The responses offer a quick reaction to the questions provided and are not necessarily informed by rigorous research. Responses have only been provided to the questions that have easily accessible answers.

and non-financial support services, along with significant public investments in infrastructure and regulatory reforms. Even a brief discontinuation of these services — as has occurred during the present crisis — risks setting back the progress made since the post-Ebola recovery period.

- During a crisis, there may be inherent conflicts between immediate emergency relief efforts — which depend on imports — and longer-term economic and sector competitiveness goals. Government policy needs to focus on achieving an appropriate balance between ensuring food security and supporting longer-term efforts to achieve food self-sufficiency through the development of a vibrant private agribusiness sector.

There exists a high degree of mistrust between the public and private sectors in Sierra Leone generally speaking and companies and industry associations would likely be sceptical of further government involvement in agribusiness supply chains (World Bank, 2017).⁷ Nevertheless, an increase in public sector involvement in such supply chains would be welcomed by most private sector players if accompanied by significant public sector reform and/or focused on investing in creating an enabling environment for the private sector. This could be achieved, for example, by government support for building infrastructure and research and extension services, as opposed to public ownership or co-ownership of businesses and agribusiness distribution networks.

Sierra Leone continues to debate the role that public and private sector actors should play in developing and implementing reliable market information systems that can provide digital services to farmers and processing firms and devising strategies to ensure that these systems enable the transition to e-delivery of extension services and technical assistance. Another issue concerns the extent to which the public sector should be regulating the prices of agricultural inputs in light of global price instability and inflationary trends that are often beyond the control of the central government.

Interviews with representatives from MTI revealed that there have been renewed efforts to improve coordination and communication with the MoA through the creation of a new agroprocessing unit in MTI. The Sierra Leone Chamber for Agribusiness Development (SLeCAD), and the Commercial Agroprocessors' and Producers' Association (CAPPA) have been invited to serve the unit as consultative representatives for agribusiness SME and large firms, respectively. This unit will be administered under the President's Economic Diversification Agenda and will focus on providing a one-stop shop for policy consultations, dialogue, and advisory services for firm-level support programmes to the agribusiness sector. FAO was informally invited to take part in the early dialogues around the new unit.

For some commodities and value chains, it may be necessary to accelerate the development of sustainable domestic supply chains for agricultural inputs. For example, the need for domestic supply chains in the poultry sector for feed, concentrate and even day-old chicks has been made glaringly obvious, given the disruption to global supply chains on which this sector has relied until now. Past efforts to develop stronger links between maize farmers and poultry farmers in Sierra Leone have not been fully successful, but a re-focus on these efforts will likely spark renewed interest and sense of new urgency in light of the present crisis. Likewise, a focus on supporting the establishment of domestic hatcheries and abattoirs will be important.

As noted previously, the transport of fresh fruits and vegetables from rural production zones to urban market areas has become extremely problematic during the COVID-19 crisis. Investing in

⁷ Complemented by interviews with leading agribusiness support programmes and agribusiness trade associations in July 2020.

sustainable business models that promote cold storage and transport infrastructure will be extremely important to Sierra Leone's efforts to achieve self-sufficiency in food.

Have there been changes in business practices during the crisis?

Eighty-eight percent of the firms that were surveyed by the SL-Agcelerator program reported having increased their use of the internet, online social media, specialized apps and digital platforms in their business operations, and SMEs are now leaning towards digital solutions to solve the challenges posed by COVID-19, including supply chain management, payment methods, sales and marketing and business administration (World Bank and MTI, 2020).. Thirty-six percent of the firms anticipate changing or adapting their products and services in response to COVID-19. This includes, for example, the introduction of new packaging materials and processes to ensure health and safety; introduction of new health and safety measures in their processing operations; and a focus on opportunities for product diversification for import substitution, such local products with medicinal or nutritional values.

The needs of agribusiness SME have shifted considerably in light of the present crisis, and development partners and support agencies should address these changing needs by making adjustments to existing programming. They include:

- virtual platforms and online training for SMEs, including coaching, mentoring, and building business resilience;
- training materials on essential value chains, commodities, and price fluctuations; business resilience and managing change during crises; essential staff retention and management; capitalizing on emerging opportunities during a crisis; using market insights to find expanded market opportunities during a crisis; crisis preparedness through product/portfolio diversification and long-term planning; market adaptation strategies; effecting policy changes through private sector organization and advocacy; and coalition building during a crisis;
- risk-sharing mechanisms for businesses that seek to explore new market opportunities during a crisis;
- flexible access to affordable finance to alleviate cashflow and operational capital pressure on SME in order to keep businesses in operation during a crisis;
- donor funding mechanisms with adjustable/flexible provisions to allow the use of funding for non-traditional purposes (World Bank, 2017).⁸

Are structural changes occurring, or could occur that would make it more difficult to achieve food security goals?

In Sierra Leone, key actors perceive a conflict between food security and nutrition goals on the one hand, and the goals of promoting and supporting domestic food producers and other value chain participants on the other. This is evident in the rice value chain, for example. Import tariffs have been proposed at various time as a way to support domestic rice producers and processors, but the proposals have never gotten very far, due to the negative impacts on consumers, and food security and nutrition cause. Supporting the domestic processing sector with capital and training – while maintaining an unobstructed availability of staple and other foods including through imports – has been the strategy until now. Continuing to do so will require a long-term

⁸ Complemented by interviews with leading agribusiness support programmes and agribusiness trade associations in July 2020

commitment to supporting domestic SME through various means. Low level tariffs could be used, but only as a temporary measure.

Are technologies/modalities employed during the epidemic such as deliveries of food/electronic transactions likely to remain?

The most popular and widely-used communication tool in Sierra Leone is WhatsApp, which is generally favoured over other more professional communication services. Respondents suggested that it is too early to tell whether using WhatsApp to conduct business will continue after the crisis subsides. On a positive note, many service providers and extension workers have had experience with digital delivery of capacity building and technical assistance and received training at the time of the Ebola crisis (Feed the Future, 2020).

Digital food delivery services have been slow to develop in Sierra Leone in general, and this was evident during the present crisis when many households under quarantine reported that they were not able to get food delivered.

Whether digital tools will be used for agribusiness after the present crisis subsides largely depends on the capacity of private businesses to incorporate them into long-term business models. Agribusiness SME support programmes in Sierra Leone, such as the World Bank-funded SLAP-CP, have prioritized helping companies to develop sustainable and flexible business models that seek out new market opportunities in the face of changing and dynamic circumstances. This has included, for example, training companies to recognize market gaps that they can fill due to a decreasing availability of certain imported products, such as snack or health foods.⁹ These support programmes have indicated a desire to continue offering these services and they stress the need for their clients to be open to adopting new technologies.

A number of key questions have emerged from interviews with public and private actors in the agriculture and agribusiness sectors and representatives from business support agencies. These include the following:

- How can Sierra Leone strike the right balance between investing in domestic food self-sufficiency and ensuring short term food security? These debates have persisted among policymakers and the private sector in Sierra Leone in recent years, with the GoSL taking specific interest in investing in the rice and poultry sectors, for example; both sectors have significant implications for food security and domestic food self-sufficiency, despite remaining largely uncompetitive against imports on price and may need border protection.
- How can Sierra Leone guarantee proper oversight of aid inflows to avoid shortcomings in the efficiency and transparency of fund management while ensuring that such oversight efforts do not unnecessarily add to bureaucratic delays in the disbursement of much-needed funds and services.
- How can Sierra Leone balance the trade-offs between the immediate need for the government and donors to intervene and provide services directly and the longer-term necessity to develop and foster sustainable private markets for the delivery of key agricultural inputs and services. The MoA's involvement in the distribution of agricultural inputs, such as seeds, fertilizers, and equipment, remains an important area for continued debate, especially around how these efforts can coincide with and support the emergence of a thriving private market for such goods. The same can be said for agricultural extension and training services.

⁹ Based on conversations with representatives from SL-Agcelerator, an agribusiness SME incubator housed in SLAP-CP.

INFORMATION AND GOVERNANCE

Governance mechanisms

Interviewees in general spoke positively about the government's response to the COVID-19 crisis and observed that the GoSL appeared to have learned a great deal from the Ebola situation. Respondents reported that decisions regarding lockdowns and other restrictions appeared to be more data-driven than previously and they appreciated the contact tracing system that has been in place during the COVID-19 crisis. In general, people feel that contact tracing was able to stem the spread of the disease in the early stages, with less intrusive lockdowns than were in place during the Ebola crisis. However, most respondents still had significant worries about limited government capacity, especially if initial containment efforts are not successful in the long term.

International partners observed that the GoSL's response was reasonably well organized and structured and was mobilized quickly compared to other regional countries and considering Sierra Leone's caseload. Some development partners and stakeholders have suggested that the general public health and national emergency infrastructure developed during the Ebola crisis gave Sierra Leone the advantage of preparedness.

The Food Security Pillar of the Emergency Operations Centre for the COVID-19 National Response was established on April 10. This is a multisectoral platform that comprises several government ministries, non-governmental organizations and the Scaling-Up Nutrition Secretariat. Its role is to coordinate the provision of food assistance and safety nets to vulnerable groups, with a particular focus on the delivery of food to quarantined households.

Disbursement of funds

In interviews conducted for this report, agribusiness firms and support agencies particularly emphasized problems with implementing the emergency measures in the QAERP. Consultations with both public and private actors revealed long delays in establishing the proper disbursement mechanisms and protocols, which has led to frustrations among prospective beneficiaries. In a survey of their agribusiness SME clients, SLAP-CP reported that only 48 percent of the firms receiving support from the programme were aware that support was also available from the national government and how to apply (World Bank and MTI, 2020). Information about the process of applying for funding support should be widely shared and made clear to prospective beneficiaries.

Stronger monitoring mechanisms could be supported financially or technically by donors or external support agencies. Such mechanisms could ensure that funds made available to commercial financial institutions for direct loan to MSME reach their destination through transparent processes and in a timely manner.

Government representatives have welcomed the idea of receiving support for mechanisms that streamline the processes for disbursing emergency funding and implementing enabling measures, including for example:

- streamlining the recruitment processes for consultants to design operational manuals;
- making the funding application process more efficient while maintaining a commitment to impartiality, and apolitical, conflict-free decision-making;
- facilitating the process of approving duty waivers for imports and exports to ensure the free flow of goods and services during the crisis; and

- supporting a coherent and cross-governmental trade facilitation agenda among the relevant ministries and government agencies.

Is the government equipped with the administrative and governance capacities to implement new policies and programmes or enforce restrictions?

The government response to the crisis was initially praised by outside observers and development partners for being reasonably well organized; however, by mid-May, cracks were observed in the implementation of support programmes, contact tracing and other efforts to curb the spread of the disease (Grieco and Yusuf, 2020).

It is clear that the governance structure of the response was heavily influenced by Sierra Leone's experience with the Ebolavirus. There are, however, important differences between Ebola and COVID-19 and these need to be considered in mounting a response. It would be useful if GoSL could learn from the experience of other countries in responding to the pandemic. This is an area where FAO can play a major role, especially with regard to helping Sierra Leone to structure a response strategy that balances public health with economic and food security concerns.

The newly created agroprocessing unit within MTI (described in the previous section of this report) could be a useful place for conducting the various debates and policy proposals that have arisen so far.

Information, assessment and policy dialogue

Policy dialogue

While high-level dialogues appear to occur frequently between the government and development partners, the private sector and civil society organizations interviewed for this report do not feel sufficiently involved in the discussions, nor do they believe that adequate efforts have been made with regard to private sector engagement and outreach. Interviewees suggested that more could be done in the way of mobile and digital outreach strategies to engage private sector dialogue. Of particular note is the fact that the private sector agribusiness trade and industry associations that participate in the Management Board of the QAERP have expressed concerns regarding the speed of implementation.¹⁰ It will be critical to work toward improving communication around the government's efforts to establish proper oversight and control measures for disbursement of the funding under this initiative.

Financing

The World Bank has been the largest donor to Sierra Leone's response effort. The Bank's considerable investment in expanding the social protection cash transfer programme has been hugely important. Nevertheless, this funding will probably not be enough to protect the entire population, especially vulnerable groups, and therefore FAO and other development partners should consider supporting such cash transfer programmes to the extent possible.

In 2019, the SLAP-CP programme established SL-Accelerator, an incubator that provides technical assistance and matching grant funding to MSME agribusinesses. To the credit of the programme and the MTI Project Management Unit, the requirements for receiving grant funding were quickly relaxed to meet the needs of MSME during the crisis, including, for example lowering the threshold requirement on the matching component from recipient firms; extending repayment periods (if applicable); enabling a more flexible and streamlined application and approvals process for funding; and loosening some requirements for grant funding (for example, the

¹⁰ Based on conversations with stakeholders

programme now allows some funding to help cover operational and working capital expenses to allow businesses to remain afloat during the crisis).

This points to an opportunity for development partners to call on existing funding frameworks and disbursement programmes during emergency situations, tailoring operational protocols to match the needs of the current moment. Conversations with programme managers in agribusiness support programmes have revealed that the most pressing financial needs for agribusiness SME at the moment relate to costs that traditional donor programmes tend not to support: utility subsidies, social security payment support for employees, salary subsidies, tax deferrals, and affordable working capital loans. All of these costs fall outside the purview of traditional donor-funded SME grant programmes, which would flexible adaptation of their operational protocols in order to meet the true needs of beneficiaries.

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