



ECONOMIC RECOVERY ASSESSMENT

Focus on Traders in Western Area Urban and Kenema, Sierra Leone | July 2015

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Executive Summary

As Ebola cases in Sierra Leone have dropped, the country and policymakers have turned their eyes to the challenging task of economic recovery. While some people are beginning to bounce back from the crisis, others, including petty traders and youth¹, continue to face reduced sales and limited alternatives for replacing lost sources of income. With weak financial services and limited cash flowing through the economy, these groups, whose members operate at high levels of informality, are struggling to recover. Moreover, the challenges they face are largely ones that existed prior to the Ebola crisis. Youth make up roughly one-third of Sierra Leone's population and depend heavily on petty trade for their income. Addressing the systemic issues they face is a fundamental requirement for long-term poverty reduction in Sierra Leone.

In this assessment, we compare Kenema, an agricultural economy hit early and hard by Ebola, and Western Area Urban (Freetown), the nation's largest urban centre, to better understand how the crisis has affected different segments of Sierra Leone's economy and assess signs of recovery. This assessment focuses specifically on petty traders and youth—two groups among the hardest hit by the economic crisis—investigating the short-term issues preventing a return to pre-crisis income levels and the endemic, deep-rooted constraints limiting economic growth.

The following key findings emerged from this assessment:

- Traders report greater than 30% reductions in sales during April 2015 than in April 2014,² with more significant drops reported in Western Area Urban than Kenema. Prolonged reductions in sales have led to increased household vulnerability. Seventy-six per cent of all petty trading households that report saving money saved less in April 2015 than the same time last year. (This is in comparison to 39% of all agriculture households).
- More informal and smaller businesses appear to have fared worse than their larger counterparts in the crisis.³ Market tables and kiosks report more significant declines in business as compared to permanent shops (48% compared to 27%, respectively), with a greater gap in Kenema than in Western Area Urban. Hawkers, market tables and kiosks selling foodstuffs and non-food items in Western Area Urban also report being more negatively impacted by restrictions on business hours than permanent shops. Furthermore, those operating in markets and kiosks purchase inventory on credit at higher levels than permanent shops. Of these three groups, hawkers' inventory purchases on credit are the lowest, suggesting that smaller businesses may demand credit to operate, but some may not be able to access it.
- Consistent with long-run financial access trends across Sierra Leone, the borrowing rates of youth aged 18–25 over the past year are lower than those for both older youth (26–35) and adults in Kenema and Western Area Urban.⁴ The younger survey respondents who reported taking loans did so almost

¹ The national youth policy (2003) and the draft revised policy (2012) define youth as being between ages of 15 and 35.

² For the purpose of understanding trends over time, the assessment makes many comparisons between April 2015 and April 2014, before Ebola entered Sierra Leone (in May 2014) and the State of Emergency was declared (in July 2014).

³ Informal businesses refer to those that lack formal registration or have reduced access to the protection and benefits of other businesses (e.g., financial, legal and association benefits).

⁴ As a proxy for financial access, in 2014, the World Bank reported just 6.4% of youth age 15-24 had a bank account, compared to 15.6% of adults.

exclusively from family and friends. In contrast, older youth and adults were more likely to borrow from microfinance institutions (MFIs), community banks and commercial banks. In focus group discussions, youth (of both age groups) in Western Area Urban reported having more difficulty accessing credit (both formal and informal) than their elders, citing their lack of relationships and connections needed to obtain loans. MFIs likewise report that youth lending is high risk and youth typically struggle to demonstrate sufficient business experience in the loan application process.

- Sixteen per cent of loans taken by traders were from MFIs and 12% from community banks or financial service associations (FSAs). Some MFIs, community banks and FSAs have started to recover loan losses since the end of 2014, but long-term constraints such as concerns over timely access to funds, low trust in financial institutions and low financial literacy still inhibit traders and small businesses from using MFIs and community banks. Liquidity constraints are both a long- and short-term problem for several of the financial institutions interviewed.
- Thirty per cent of agricultural households surveyed report planting or intending to plant fewer acres this year, while 37.5% reported intending to plant more. Some agricultural input sellers, particularly those with institutional links, report increases in sales for certain products, such as seeds. In contrast, input sellers who operate at the micro-level and those focused on fertilizer and agro-chemicals report significant reductions in business. Explanations for the decreased sales included limitations on periodic markets, reduced customer purchasing power and expectations of late planting.
- Despite the depth of the recent economic downturn, businesses surveyed remain optimistic about the future so long as regulations associated with Ebola, such as limitations on business hours, are lifted and consumer spending increases. While the primary goal of 36% of traders is to restore their business back to its previous levels in the next six months, only 18% expect to still be focused on recovery in one year's' time. Instead, they mentioned growing their business and increasing the types of goods they sell as their primary goals. While these results represent only a portion of traders' opinions, they show that some businesses expect to bounce back from the crisis.

To address the issues identified through this assessment, Mercy Corps recommends the following:

- Reduce barriers to business — relax quarantine restrictions (e.g., allow businesses to operate later in the evening) to jumpstart the economy. However, to push recovery forward, where feasible and mindful of the persistent threats of Ebola, the government should lift remaining regulations limiting the operation of businesses, so that the groups most adversely affected by the economic crisis, namely youth and petty traders, have the greatest opportunity to recover their income.
- Support micro, small and medium enterprise (MSME) development to grow the economy and enable opportunities for petty traders. Address key obstacles to private sector growth, including increasing access to finance and low-cost energy required for business operations.
- Improve market-based economic opportunities for both female and male youth through access to finance, financial literacy and business skills; link job-readiness to concrete employment opportunities.
- Improve petty traders' income potential and resilience to future shocks by supporting effective informal and semi-formal saving and lending models.
- Ensure that economic recovery efforts focused on agriculture support the market systems needed to promote long-term growth, particularly for actors such as input sellers. When working with the input supply market, use vouchers and subsidies in place of in-kind distribution for farmers.

Introduction

Ranking 183rd out of 187 in the United Nations Human Development Index (2013)⁵, Sierra Leone remains one of the world's poorest countries. Despite this, Sierra Leone made great strides following their decade-long civil war, ranking as one of the world's top reformers by the 2012 World Bank's Doing Business Index, with a promising move in 2005 from 6th on the Fragile States index down to 35th in 2014.⁶ Social indicators also showed a declining poverty headcount and improvements in inequality.⁷ In the government's Agenda for Prosperity (2013-2018)⁸, Sierra Leone prioritised economic growth through a number of channels including agricultural and manufacturing value-addition, fisheries, tourism, energy and the development of road infrastructure, reinforced by education and labour force development.⁹

Sierra Leone's first Ebola case occurred in late May 2014. With the onset of the Ebola crisis, the government passed several by-laws in July 2014 to control transmission of the disease, including roadside checkpoints to screen travellers and restricted inter-district movement; limited hours of business operation to six a.m. to six p.m.; a ban on the operation of periodic markets;¹⁰ the prohibition against large gatherings or assemblies; and the closure of borders with Liberia and Guinea. While designed to control the spread of the virus, these measures greatly restricted commercial flows and economic activity. At the time of data collection – in April 2015 – several restrictions still remained across all areas, although by that time Sierra Leone was almost completely Ebola free. On June 28, the government relaxed some restrictions in non-quarantined areas, allowing restaurants to operate until ten p.m. and grocery stores and taxis until nine p.m.

This assessment sets out to examine prospects for economic recovery in Sierra Leone following the Ebola crisis, with a special focus on traders, youth and access to capital. Research conducted in January and February 2015 by the World Bank and the International Growth Centre (IGC) notes that youth employment rates in Western Area Urban had decreased in January and February to 60% (down 15% from November); youth businesses were less likely to be operating than non-youth businesses; and non-farm enterprises continued to report decreased revenues from pre-crisis levels. Moreover, youth comprise one-third of the country's population; improving their livelihood opportunities is a fundamental aspect of poverty reduction and economic growth in Sierra Leone.¹¹ Mercy Corps selected these target demographics for the assessment to probe deeper into the issues of trader business constraints and youth work, filling an existing gap in the research base.¹² To that end, the assessment identifies both the Ebola-related constraints faced by the target groups as well as the long-term constraints unrelated to this particular crisis. This research was undertaken with full knowledge of previous economic assessments conducted within the time frame of the Ebola crisis, and the following report is designed to complement these previous assessments.

⁵ <http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf>

⁶ <http://fsi.fundforpeace.org/rankings-2014>

⁷ <http://www.africaneconomicoutlook.org/en/countries/west-africa/sierra-leone/>

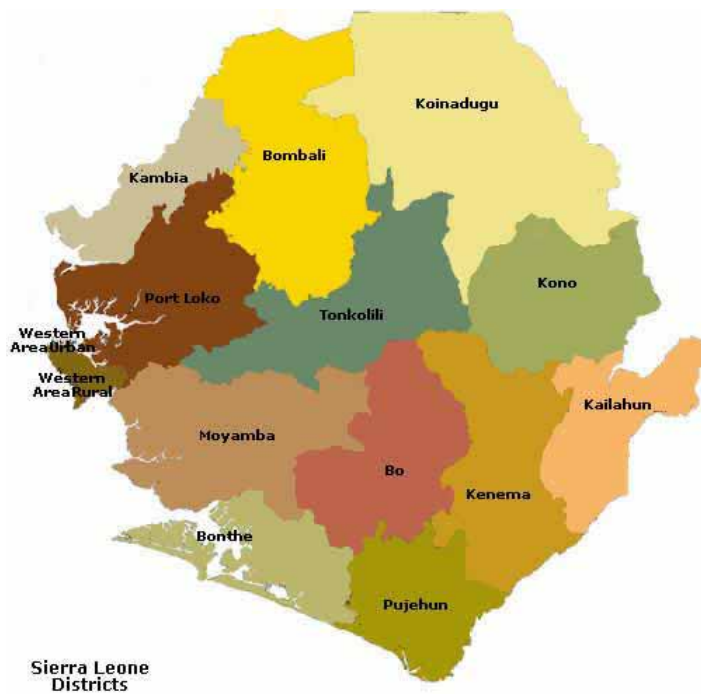
⁸ <http://www.sierra-leone.org/Agenda%204%20Prosperity.pdf>

⁹ <http://www.oecd.org/dac/fragilestates/44653693.pdf>

¹⁰ Periodic markets or "lumas" refer to rotating weekly markets. In contrast to daily markets, these tend to be large markets which attract traders travelling farther distances and are a key channel for long-distance trade. Periodic markets are held in both the same location and different locations from daily markets. This varies on a case-by-case basis.

¹¹ <http://www.sl.undp.org/content/sierraleone/en/home/countryinfo.html>

¹² <http://www.theigc.org/economics-of-ebola-research/#SierraLeone>



Western Area Urban (Freetown) and Kenema districts were selected as the assessment’s geographic areas of focus to provide an in-depth comparison of the impacts and constraints affecting trade. Western Area Urban serves as the country’s central urban economy. At the time of assessment, lingering cases of Ebola still remained in the district. In comparison, Kenema district is currently the third-largest urban centre in the country with an economic focus on growing agribusiness. Kenema was among the first set of districts to be quarantined as a result of Ebola, however it was also the first to have the quarantine lifted — meaning this district has had the longest period of time to recover economically from quarantine.

Methodology

This assessment gathered information from 259 household surveys and 274 surveys with petty traders¹³ and small businesses. Building on quantitative surveys, we also conducted key informant interviews with a variety of stakeholders as well as focus groups with traders to triangulate an understanding of market trends and identify factors affecting traders’ businesses. In addition, we sought to understand youth labour dynamics through focus group discussions recognising that petty trade is an important source of income for many youth, but that youth who have lost their source of income would not be included in our survey sample. Data was collected from 2-15 May using a team of nine enumerators and five supervisors. The assessment was led by Mercy Corps international staff.

Surveys

Trader surveys were conducted in select market areas in Kenema and Western Area Urban districts. Pre-existing lists of local markets were updated based on feedback from traders. The assessment team then selected market areas for the survey that included a mixture of geographical areas and market sizes. Within each target market, the survey team used field-based random sampling techniques to identify respondents. In each market area, enumerators also used random sampling techniques to recruit permanent shops selling goods. In Western Area Urban, market and shop area listings were developed independently from one another but specific survey areas were again targeted based on geographic spread and market size.

Following data cleaning, 274 surveys contributed to the trader survey analysis. Market tables and kiosks, comprised 58% of the sample, hawkers comprised 11%, and permanent shops comprised 31%. Women represented 71% of respondents in Kenema and 63% of respondents in Western Area Urban. Results from this

¹³ Here we refer to petty traders as those businesses selling goods in markets, kiosks or through mobile means.

analysis should be viewed as indicative and are not representative of the full population of traders in the districts covered.

The objective of the household survey was to collect information from market-dependent households in the target geographies. In Kenema, the team targeted two communities which primarily purchase and sell goods in each market area surveyed. In Western Area Urban, the team listed all known slum communities and selected those for survey based on geographic spread. Within targeted communities, enumerators used random sampling techniques to target respondent households.

After data cleaning, 259 household surveys were used in the survey analysis, with an average household size of seven. Females represented 54% of respondents and males 46%, but sex-based survey analysis referred to the sex of the main income earner rather than the respondent. Again, results from this analysis are indicative of the market-dependent households interviewed for this assessment and should not be interpreted as representative of the full population of households in the geographies covered. In Western Area Urban, it is important to note that the sample covered only poor households, and in Kenema, the survey team focused its efforts on market-dependent households increasing the likelihood that respondents rely on trade for their income.

Focus Group Discussions and Key Informant Interviews

Forty-four focus group discussions were conducted throughout the assessment to probe trends emerging from the survey results and to investigate issues relevant to traders and youth in the assessment areas. The focus group discussions included traders, youth and transporters (commercial and private vehicle owners/drivers, *okada* riders and taxi drivers).

One hundred thirty-two key informant interviews were conducted to understand the short- and long-term market system constraints affecting traders and youth. Participants in key informant interviews included wholesale shop traders, agriculture input sellers, financial service providers, transporters, representatives from government authorities and ministries and members of youth service organisations and NGOs.

Table 1 Numbers of Surveys, Focus Group Discussions and Key Informant Interviews

	HH Surveys	Trader Surveys	Focus Group Discussions	Key Informant Interviews
Kenema	117	103	8	56
Western Urban	142	171	36	76
TOTAL	259	274	44	132

Analysis

Household-level Income and Vulnerability

Overview

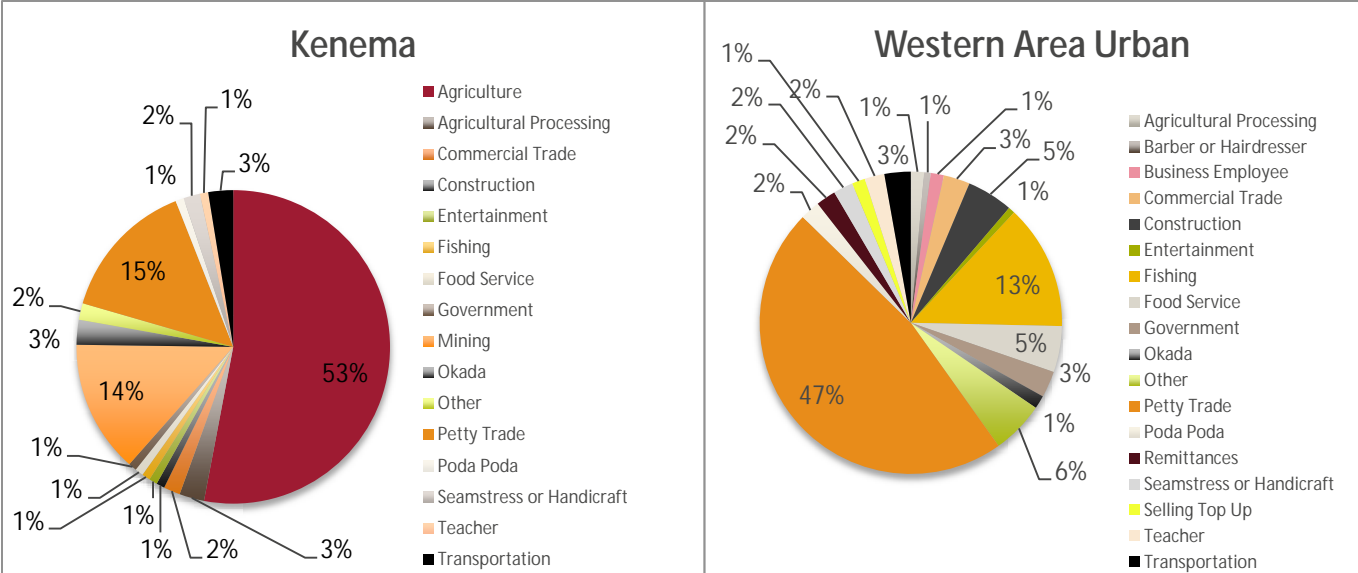
Findings from household-level surveys and youth focus groups indicate that while the crisis had strongly impacted livelihoods, many households are now recovering. More households in Kenema report being better off

in April 2015 than in Western Area Urban. Despite this, households in Kenema report consuming fewer meals per day than those in Western Urban, likely a result of chronically higher poverty rates in the district and the start of the lean season.¹⁴

A breakdown of respondents' main source of income, by district, can be in chart 1 below. In Kenema, 25% of households reported that their main income earner was male (75% male), while 35% of respondents in Western Urban reported that the main income earner was female (65% male). Agriculture, petty trade and mining were most frequently listed as the primary source of household income in Kenema, and petty trade and activities in the fishing sector were most commonly cited in Western Area Urban.

In Kenema, non-agriculture activities represent a higher proportion of this survey sample than the general population because the assessment targeted market-dependent households. Likewise, in Western Urban, there is a high representation of households living in poor wharf communities who rely on fishing for their income since the assessment targeted poor market-dependent communities.

Chart 1 Main Source of Respondent Income by District



Household Income and Food Security

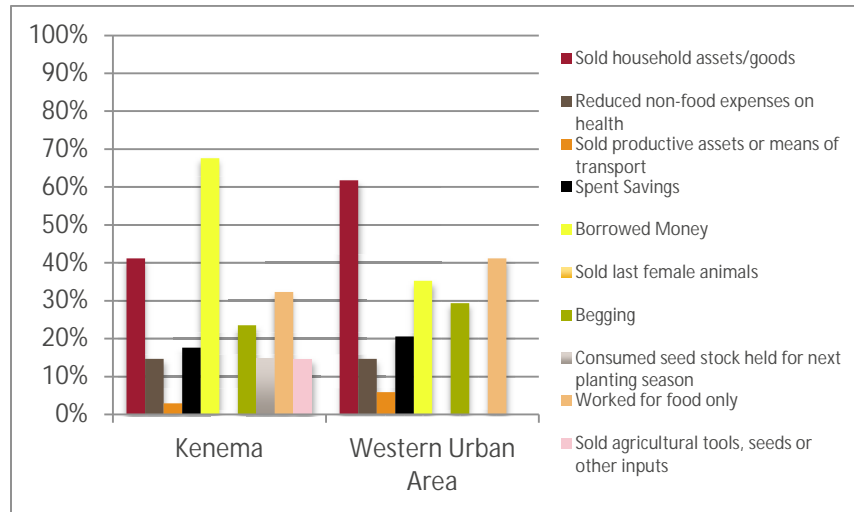
Just 10% of households in Kenema and 15% in Western Area Urban were consuming fewer meals in April 2015 compared to April 2014, but across all key income sources, petty traders in Western Urban were the most likely to reduce the number of meals they were eating (17%).¹⁵ Informal borrowing networks more often served as active safety nets for households in Kenema than those in Western Urban, but Western Urban households demonstrated greater personal resources for coping. Among households that reported not having enough food or money to meet their needs since December, those in Kenema were most likely to borrow money to meet their needs while those in Western Area Urban were most likely to sell household assets. While the higher rates

¹⁴ April is a lean season month in Sierra Leone, a time when agricultural households are more like to have consumed the previous harvest and have limited income and food before the next production season.

¹⁵ As mentioned in the methodology section, household data is not representative of the full population in each district. Targeted households were in market-dependent areas in Kenema and in market-dependent slum areas in Western Area Urban.

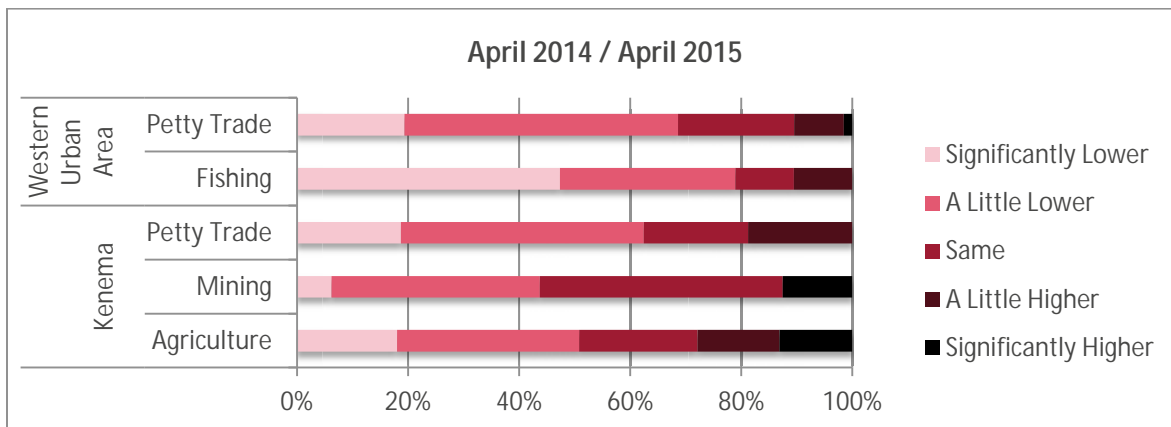
of food insecurity in Western Area Urban may in part be a reflection of targeting low-income, market-dependent areas, these figures reflect the depth of the economic impact on poor urban households.

Chart 2 Coping Mechanisms Used by Households to Meet Needs



In both locations, some households reported experiencing a change in the number of people working (9% in Kenema and 13% in Western Area Urban), however, nearly all respondents noted that the number of people working had returned to April 2014 levels. While the sample was small, some households in Western Area Urban reported that the number of workers had decreased while others noted increases in the number of workers. Kenema households mostly reported a decrease in workers. Key informant interviews with teachers and youth focus group discussions indicate that some households sought to increase income by sending more members to work, particularly while schools were closed. Focus group discussions with youth also indicate that under-employment had increased in the past year—a dynamic that was not captured by the survey.

Chart 3 Income Comparisons to Last Year by Trade



In keeping with these findings, 68% of households in Western Area Urban noted that their income was slightly lower or significantly lower than the same time last year (compared to 52% in Kenema). The highest percentage of households that reported lower incomes in April of this year compared to the previous were households involved in the fishing sector in Western Area Urban,¹⁶ followed by petty traders in both Kenema and Western Area Urban.

Household Savings

Reductions in income have led to reductions in savings, a key resource for households to cover unexpected expenses, and in the case of petty traders, to access capital for their businesses. Half of households in Kenema and Western Area Urban report saving money in the past month, but in making comparisons between this year and last year, households in Western Area Urban are comparatively worse off than households in Kenema. Likewise, petty traders are comparatively worse off than those engaged in agriculture. The value of savings was halved for households in Western Area Urban, and 78% of all petty traders reported saving less this year than last year. Among traders, men were slightly more likely to save at commercial banks, whereas women were more likely to use *osusus*.¹⁷ However, the survey team probed to understand all potential sources of savings for households revealing that the majority of households also rely on very informal savings mechanisms. When one youth focus group was asked where they saved money, their responses varied from, “in my backpack” to “under my bed,” noting that a disadvantage of each of their savings locations was that it was very difficult not to spend their money with such easy access. As discussed later in the report, such anecdotes highlight why informal savings mechanisms such as *osusus* are popular despite charging negative interest rates.

¹⁶ According to interviews, this income decrease was attributed to changes in regulations, over-fishing and limitations on business hours.

¹⁷ *Osusus* are informal savings mechanisms, typically managed by one individual who collects money on a daily, weekly or monthly basis, and either holds the money for pay back to participants at the end of the cycle or makes a rotating payout of savings to a different member each time contributions are made. The person managing the *osusus* will charge a small fee for their service (e.g., one day’s contribution out of a month). Record-keeping among *osusus* is very poor.

Chart 4 Household Savings by Year

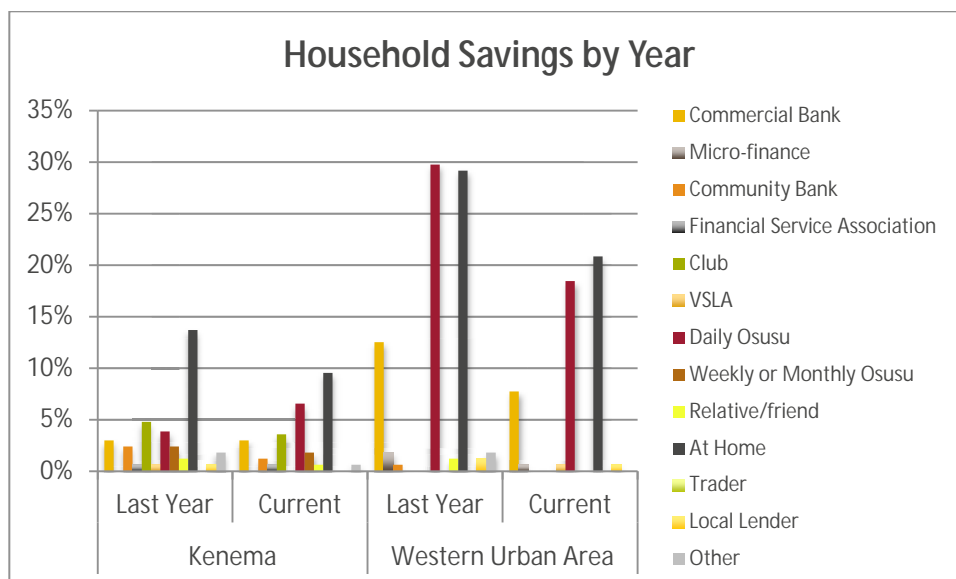


Table 2 Change in Savings by Business Type

	Per cent of Negative Change (saved less this year)	Per cent of No Change	Per cent of Positive Change (saved more this year)
Kenema	44	51	5
Western Area Urban	81	14	5
Total Respondents	70	25	5

Table 3 Average Per cent Change in Savings by District

District	Average Per cent Change
Kenema	-29
Western Area Urban	-52

Table 4 Average Per cent Change in Savings by Business Type

Trade	Average Per cent Change
Agriculture	-28
Petty Trade	-49

Agricultural Households

While this assessment is not directly focused on agriculture, we included findings from agricultural households as this sector is prominent in the government's economic recovery strategy. Likewise, because tree crops, including cocoa and coffee, are important sources of income in Kenema, several questions were included in the survey to understand household-level impacts related to these tree crops. Half of households reporting agriculture as their main source of income reported that their income was the same or higher compared to the same time last year; half reported that their income had been reduced. However, current income comparisons for agricultural households do not necessarily reflect vulnerability for the primary 2015 production season. Instead, it is important to know if households ate their seeds in the past year. In our survey, 30% of households involved in agricultural production reported that they planted or planned to plant fewer acres this year; 32.5% reported they would plant the same amount of land; and 37.5% reported they would increase the area of land planted this year. Among those who reported planting less land this year, the most significant reason given was the high cost of labour (a longstanding issue in Sierra Leone's agriculture sector). This indicates that for market-dependent households, cash flow may be a more significant barrier than physical access to inputs such as seeds.

Households engaged in growing cocoa and coffee were also asked to rate their income from this past year compared to previous years. Fifty per cent reported a reduction in income, and 31 per cent reported an increase in income. Although key informant interviews indicate that the last cocoa production season produced higher quality fruit than the previous year, research from the World Food Programme (WFP) shows that farm gate prices for cocoa growers were lower in locations with lower access levels to markets and traders.¹⁸ This information corresponds with traders' reports that fewer traders operated in the main harvest season last year, and that for many traders who continued to operate, fewer agents were collecting from farmers. Thus, decreases in income are likely due to the reduced number of traders purchasing cocoa in the primary 2014 harvest season, despite cocoa's increased price in the international market.

Status of Trader Businesses

Overview

Reflecting similar results to the household survey, trader surveys indicate that businesses, and petty traders in particular, continue to experience depressed levels of business compared to April last year. However, some businesses have started to recover, potentially more in Kenema than in Western Area Urban. Despite reporting drops in sales, most businesses continue to save money (albeit through informal mechanisms). Notably, these results focus explicitly on active traders — results do not include traders who have stopped working or who switched their source of income.

The survey included a diverse set of trader businesses in Kenema and Western Area Urban. Basic food items comprised a larger portion of the sample in Kenema, reflecting a difference in commercial activities between the two areas. However, trader focus group participants in both districts report that, while switching between types of goods sold is common, there has been a slight overall shift toward more sellers of food items during the past year. Men were much more likely to have shops (they comprised 63% of shop operators in Kenema and 69% in Western Area Urban), while women comprised the majority of respondents operating market kiosks or tables (92% in Kenema and 78% in Western Area Urban). The prevalence of females in the market kiosk and table

¹⁸ WFP Presentation to Food Security Cluster, 24 April 2015.

demographic is indicative of the wider population of petty traders. Key informants and youth focus group participants note that women’s participation in petty trade is frequently a critical source of household income.

Table 5 Per cent of Goods Sold by District

Goods Sold	District		
	Kenema (Per cent)	Western Area Urban (Per cent)	Grand Total (Per cent)
Luxury Goods	9	9	9
Services	1	4	3
Snacks	15	11	12
Basic Food Items	56	38	45
General Non-Food Items	13	23	19
Electronics and Top-up	4	8	6
Other	3	7	5
Grand Total	100	100	100

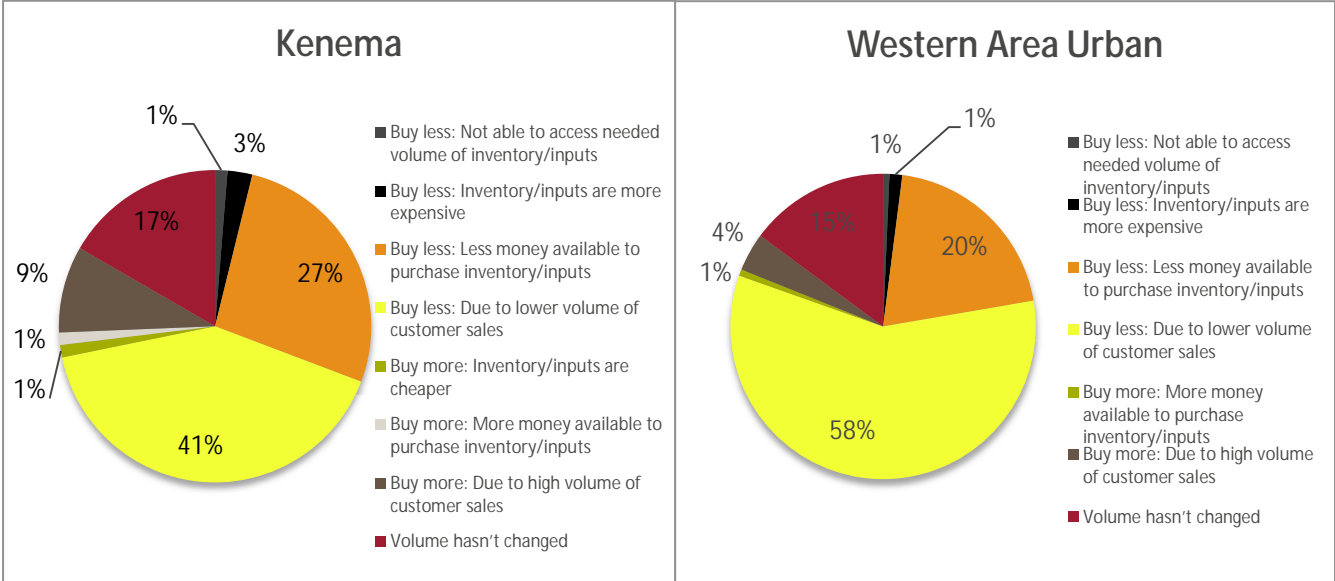
Because baseline data was not available to make comparisons between sales levels between April 2014 and April 2015, the survey included a number of questions aimed at estimating a general trend and magnitude of change in business levels. In asking respondents to report changes in daily sales, number of customers per day and volume of inventory purchased, surveyed businesses gave generally consistent responses. The table below and graph showing change in frequency of inventory purchase indicate the comparative changes. Nonetheless, given the challenges associated with collecting this type of recall data, it is likely that changes were overstated between this year and last. Other data, such as borrowing and saving behaviour and business decision-making, should be considered in assessing the health of traders.

Table 6 Average Per cent Change in Daily Number of Customers, Daily Sales, and Purchase of Inventory Units by Business Location and Type

District/Business Type	Average Per cent Change in:		
	Number of Customers	Daily Sales (SLL)	Purchase of Inventory Units
Kenema	-28	-27	-23
Market Kiosk	-29	-33	-21
Permanent Shop	-27	-17	-26
Western Area Urban	-39	-48	-33
Market Kiosk	-38	-50	-40
Permanent Shop	-39	-44	-21
Grand Total	-35	-41	-30

For each variable above, respondents in Western Area Urban reported greater per centage decreases as compared to their counterparts in Kenema. Youth age 18–25 and 26–35 reported slightly larger per centage losses in sales, but there were greater differences by type of business (a good proxy for size). When asked the reason for decreases in inventory purchase, the most cited reason in both districts and for all types of businesses surveyed was a decrease in customer purchases. However, not all traders report declines in business over the past year, and some increased their sales.

Chart 5 Reason for Decrease in Inventory Purchase



Employment (including informal employment) plays a larger role in the Western Area Urban economy than in Kenema, even for the same types of businesses. Shops in Western Area Urban were more likely to have employees than those in Kenema (44% compared to 9%). Traders in Western Area Urban with full-time or part-time employees report similar reductions in business to those without employees. Only one wholesaler key informant mentioned reducing employee numbers, and only a few businesses with employees in the survey reported reductions in full-time or part-time employment (11% of full-time employers reporting reductions). Interestingly, traders who have lost business may have prioritised keeping their staff.

Business Constraints

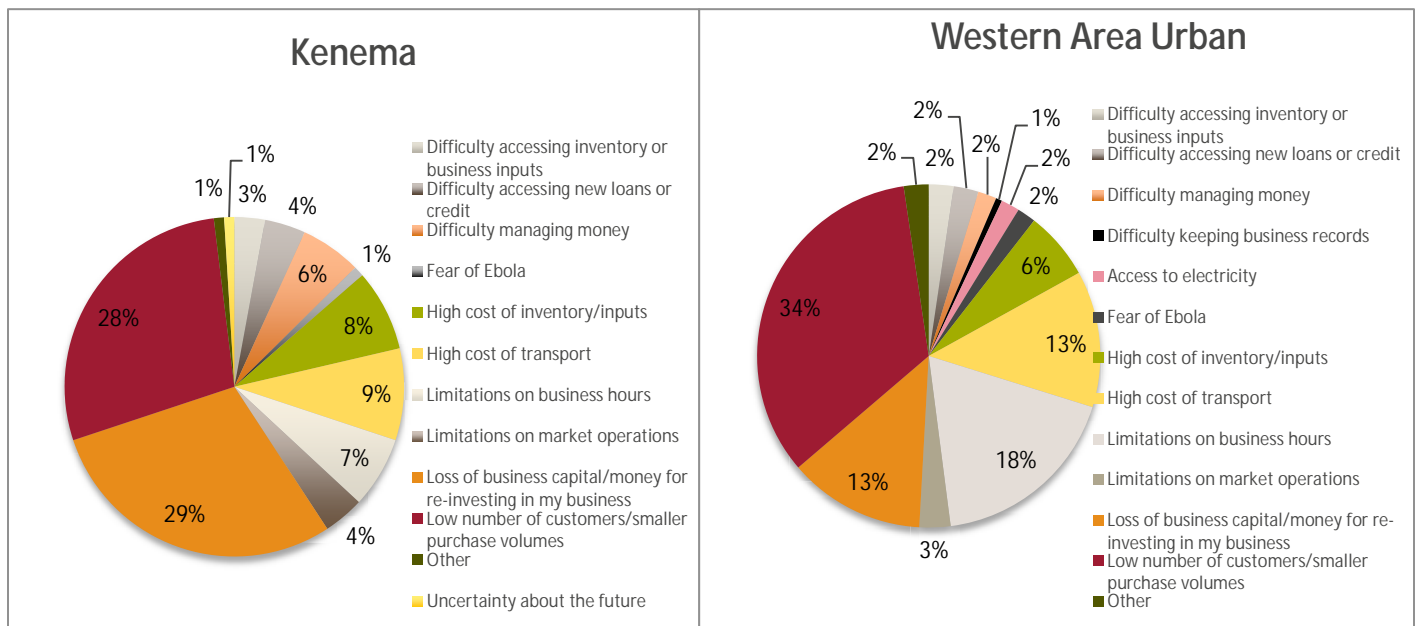
Across all businesses interviewed, low consumer spending is reported as the single most important factor currently limiting sales, followed by loss of business capital. Importantly, reduced customer spending could be linked with both decreased income and reduced spending due to the unpredictability of the future economy. Limitations on business hours ranked third in mentions, although this was more common in Western Area Urban (18%) than Kenema (7%), and a more prominent issue for the subgroups of hawkers and market tables/kiosks (35% and 13% compared to 8% respectively), who usually sell into the evenings.

The higher mention of limited business hours by businesses in non-fixed locations suggests that permanent shops are either more likely to serve customers during the day, have a greater volume of business that is based on known customers or that these locations are more easily operated after curfew hours because they have a physical location from which to operate. This data is consistent with information from key informants who note that some permanent shops have been able to retain business by selling to known customers after hours.

Viewing the issue according to age and sex, limitations on hours ranked second in mentions for male youth age 18–25 and females in all age categories in Western Area Urban.

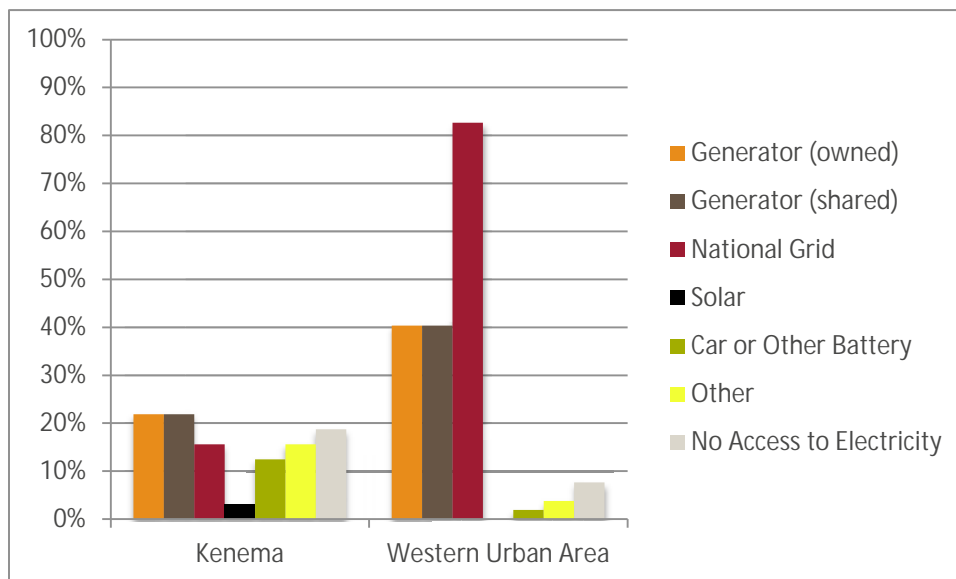
As compared to their less formal counterparts, permanent shops in Western Area Urban were more likely to mention certain business costs as their biggest issue, with the high cost of transportation as the second most-cited problem (19%), followed by high inventory costs (10%). The issue of increased prices arose in a few interviews with traders and wholesalers, and in all cases, it was mentioned in relation to imported goods. Key informants explained the increases in inventory costs as a result of several factors, including border closures with Guinea, fluctuations in the exchange rate and potential price hikes by importers who control the domestic market for specific items. While issues associated with cost were reported by permanent shops more than market kiosks or hawkers, the survey data indicate that these businesses are also more likely to keep records of costs and track their impact on profit.

Chart 6 Most Significant Problem Facing Business



In addition to the immediate trader business constraints exacerbated by the crisis, there are several more systemic issues which prevent the development of micro, small and medium sized enterprises (MSMEs). Businesses such as petty trade can only grow at the rate that the larger economy grows. Opportunities to cut costs or develop value-added businesses are critical for economic growth and lay a foundation for growth in consumption and income potential for petty traders. One key barrier to these opportunities noted in interviews with financial service providers and investors was access, cost and reliability of electricity. Almost 20% of permanent shops interviewed in Kenema report having no access to electricity, and for those with access, the majority rely on expensive sources such as generators to run their businesses. In Western Area Urban, more than 80% of businesses have access to the national grid, but due to low reliability (particularly during the rainy season) and low overall output, these businesses are also dependent on generators (which they either share or own outright.)

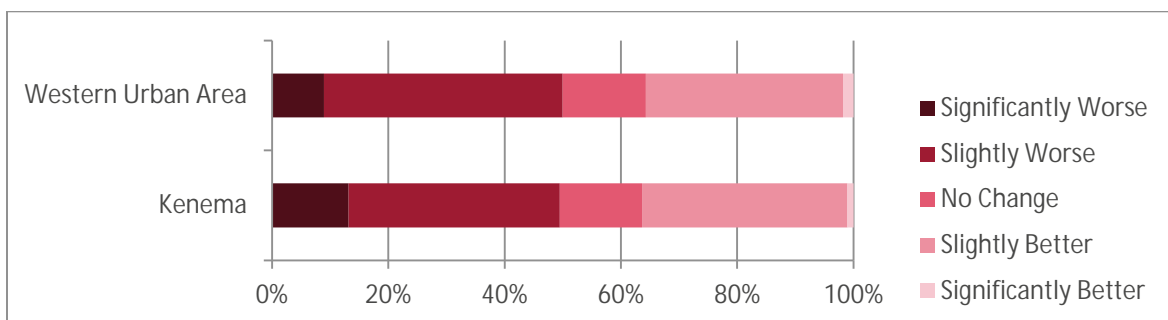
Chart 7 Electricity Source For Permanent Shops



Business Trends and Goals

Despite the reported overall drop in sales and customers, some traders report that their business is better off than it was six months ago, at the peak of the crisis. Across both districts, 32% of traders report being better off than during the same time last year, but 50% report that their business is better off than it was six months ago. Key informant interviews with wholesalers confirm these reports. Most wholesalers who report being worse off than last year also indicated that their business levels have improved, and if regulations on business operations are lifted, they expect sales to recover in a matter of months. Businesses which report being better off than last year give a variety of reasons, including discounted or low prices; adopting new measures to source in-demand goods when restrictions limited ease of access to new stock; offering credit to customers; and adapting selling patterns to reach customers who reduced their movement to markets. One onion wholesaler in Kenema noted that his business had increased by 30%, because he was now directly selling to five villages.

Chart 8 Status of Business Compared to Six Months Ago



In both Kenema and Western Area Urban, traders have some degree of optimism about the future. When traders were asked to prioritise their business goals for the next six months, 36% listed restoring business back to its previous levels as their primary focus. However, when asked about one year from now, restoring lost

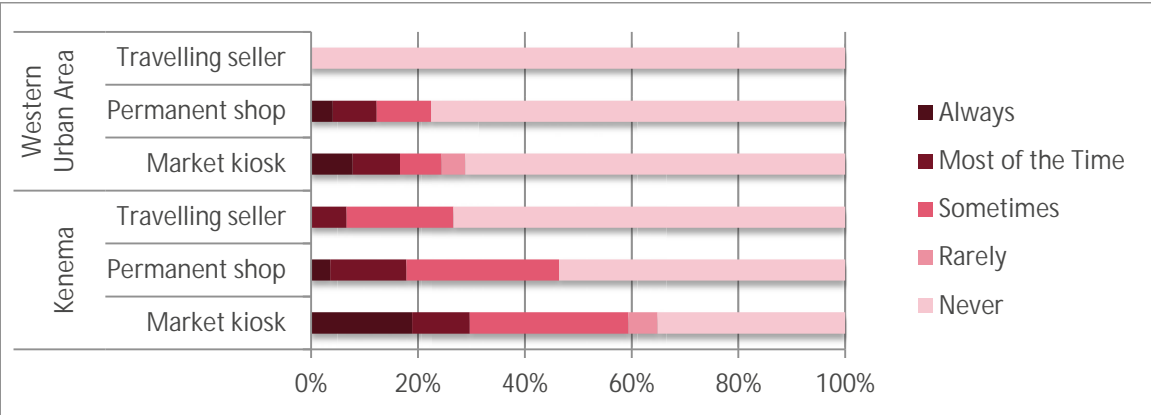
business was mentioned by just 19% of traders with respondents instead shifting to a focus on growing their business and increasing the types of items they sell.

Trader Credit, Savings and Borrowing

Sixty-one per cent of traders in Kenema reported allowing customers to purchase on credit in April 2015 as compared to 38% in Western Area Urban. A small per centage of traders reported stopping or starting to offer credit to customers between April 2014 and April 2015. The most significant shift reported was in Western Area Urban where 5% of traders reported starting to offer credit and 12% reported stopping sales on credit. The few traders who started offering credit did so to attract customers or to help customers who needed to purchase supplies related to school re-openings.¹⁹ For those who stopped sales on credit, the primary reason given was a lack of trust that customers would repay. Businesses offering credit report that just 40% of customers paid on time both last year and this year, but it is possible that some of the challenges with repayment may be associated with April being a lean season month.²⁰ Likewise, there was no clear trend in the data on the proportion of traders purchasing goods on credit. It is important to note that the bulk of credit sales between wholesale and retail traders is taken and repaid in the same day in Western Area Urban (and within a few days in Kenema), particularly for business operating in market kiosks or tables as compared to permanent shops. However, as one market head in Western Area Urban noted, some retail traders who take goods on credit are now more likely to reduce the volumes they take on a daily basis, concerned that they will not be able to repay wholesalers.

In both districts (and both years), those operating in permanent locations and market kiosks reported purchasing inventory on credit at higher rates than hawkers, with market kiosks taking the most credit of the three groups. This data supports the theory that credit transactions work best where there are established relationships between parties. If shop type is viewed as a proxy for business size, this data also supports the hypothesis that smaller businesses (market kiosks) may be more dependent on informal credit to sustain business capital, and that the smallest businesses (hawkers) may not have the connections required to access credit, both in times of crisis and out.

Chart 9 Inventory Purchased On Credit



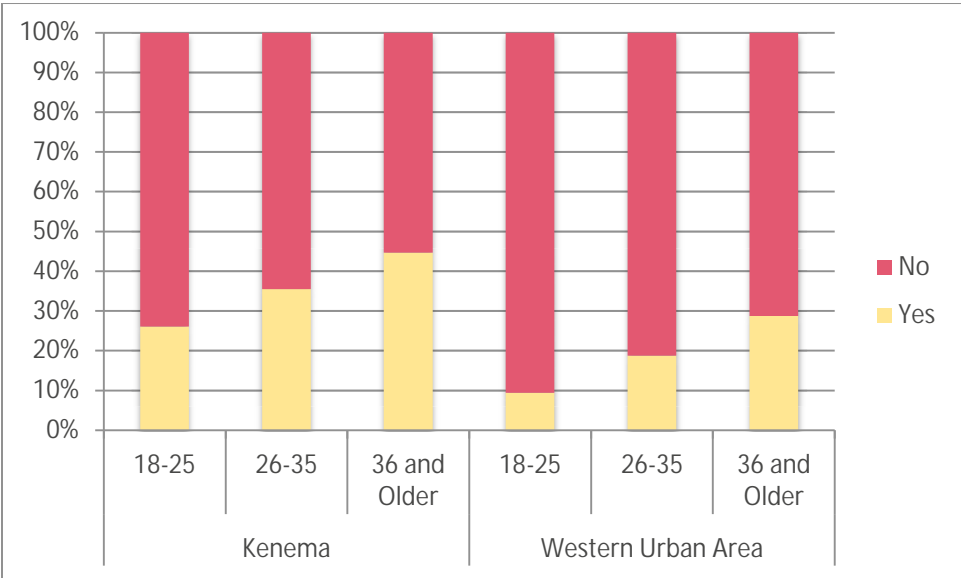
¹⁹ Schools in Sierra Leone were closed until 14 April 2015 in an effort to control the spread of Ebola.

²⁰ Lean season refers to the time post-product and prior to the next harvest cycle when households are likely to reduce consumption due to reduced income and food stores.

In contrast, larger businesses may have been among those more able to grow their business and attract customers as a result of having higher cash reserves (which allow them to take on more risks in the short-term as well). One large wholesaler of rice and other items in Kenema noted that his revenue was more than 30% higher compared to the same time last year, because he was offering small discounts on rice and offering retailers credit.

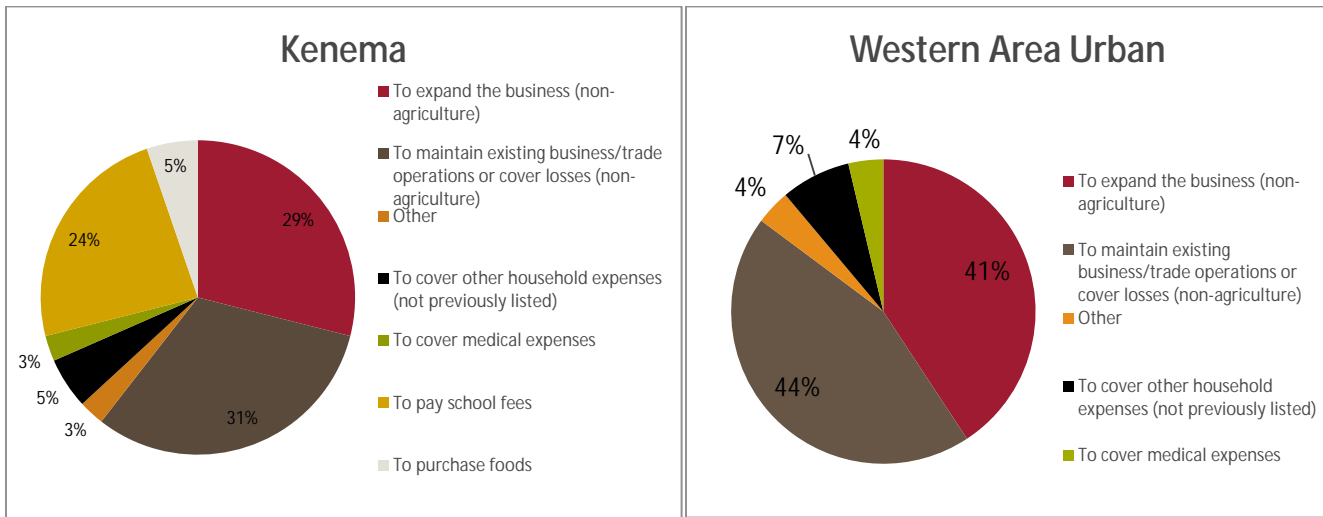
Adding to the differences observed between larger and more formal businesses compared to smaller and more informal businesses, access to loans is also limited for youth (those most likely to work as hawkers). Thirty-seven per cent of respondents in Kenema borrowed money in the past year compared to 21% in Western Area Urban. While there was little difference by sex, youth in both districts were less likely to have taken a loan than their elders (see graph below). All but one young person who borrowed money did so from a friend or relative. Low levels of youth borrowing are unlikely to be a result of low demand — most focus group participants expressed a desire to take loans from formal or informal sources, but thought that they were unable to get loans because they didn't have the necessary community connections to do so. In contrast, MFIs confirm that youth make up a small portion of their lending pool, because they are less likely to meet selection criteria including being able to prove they have sufficient years of business experience. The different explanations given by focus group participants and financial institutions are potentially indicative of youths' low level of financial literacy and knowledge of financial institutions.

Chart 10 Borrowing Rates by Age



While traders in Western Area Urban report more significant drops in current business levels this year compared to last year, borrowers in Western Area Urban were more likely to take loans to expand their business compared to their counterparts in Kenema. In Kenema, borrowers were more likely to take loans to pay school fees or purchase food. Notably, the question was asked in a way that covered the full year prior, so it captures businesses who took loans before the economic crisis began. These results could be a reflection of generally higher borrowing rates in Kenema or higher poverty levels in Kenema, or the fact that the question covered the full year prior (including the period when Kenema was quarantined and before the economic crisis began).

Chart 11 Reason for Taking Loan



While loans were primarily taken to expand business in both locations, 64% of respondents in Western Area Urban and 68% of respondents in Kenema who took loans reported not being able to repay on time, values which correspond with the portfolio of risk rates reported by MFIs in the following section. In both districts, when traders who did not take loans were asked why, women were most likely to reply that they were afraid they would not be able to repay the loan, while men reported that they did not need a loan.

Table 7 Reason for Not Taking a Loan by Gender and Business Location

District/Reason	Female (Per cent)	Male (Per cent)	Total (Per cent)
Kenema	10	6	9
Afraid wouldn't be able to repay	6	0	4
Didn't need a loan	2	4	3
No loan available that met needs	0	2	1
No loan providers in my area	2	0	1
Western Area Urban	90	94	91
Afraid wouldn't be able to repay	35	27	32
I didn't meet the criteria to borrow money	2	0	1
Didn't need a loan	34	48	39
No loan available that met needs	2	4	3
Loan provider wasn't giving out loans	1	2	1
No loan providers in my area	6	6	6
Other	6	4	5
Loan provider temporarily closed	2	4	3
Grand Total	100	100	100

For those traders who don't have access to credit from traders or other sources, savings frequently serve as a reserve for purchasing capital and regenerating business. The chart below indicates the number of respondents who reported saving money in the past month. Savings rates were higher in Western Area Urban compared to Kenema, but this is largely due to low savings rates by permanent shops. Note that in order to fully capture traders' reserve cash and rotating capital, enumerators were instructed to probe into both formal and informal sources of saving, and the data below reflects traders who report keeping money in a safe place for later use. There was no clear gender differential in savings rates, but youth in Kenema reported being more likely to save than adults (83% for 18–25 year olds compared to 53% for those 36 and older). Savings rates were also nearly identical in the past year between traders who took loans and those who did not. For respondents who saved less between April of 2015 and the previous year, 85% in Western Area Urban and 78% in Kenema reported that this was as a result of a decrease in income. (The second most-cited reason was an increase in expenses.)

Table 8 Saving in the Past Month by District and Business Type

District/Saved Past Month	Business Type			Grand Total (Per cent)
	Market Kiosk (Per cent)	Permanent Shop (Per cent)	Travelling Seller (Per cent)	
Kenema	31	38	69	37
Western Area Urban	69	62	31	63
Grand Total	100	100	100	100

Agricultural Inputs

An important subset of business for developing the rural economy is agriculture input sellers (seeds, fertiliser, etc.). Therefore, the assessment team conducted key informant interviews with input sellers of various sizes. Input providers in Kenema report mixed changes in their business operations and sales levels between this year and last year. MAFFS (Ministry of Agriculture, Forestry and Food Security) and ABC (Agriculture Business Centres) input providers report an increase in sales of seeds and customer numbers, while independent input sellers (either in shops or in the market) report a decrease in customer numbers over the same time period. Anecdotally by product, key informants report that sales of fertilisers and agro-chemicals have suffered the most (key informants note a drop between 60 and 80%), tool sales suffered a slight reduction and seed sales have either increased or decreased depending upon the seller and the type of seed sold. One input seller in particular noted that her sales losses were due to the closure of periodic markets. While several traders note that business from periodic markets has been somewhat replaced by business on non-periodic market days and the increase of market activity in other locations, this input seller stated that her total sales of vegetable seed and fertiliser have decreased. In April 2014, she could sell up to 120 packets in one periodic market day, and her daily sales of 10 packets have not been able to compensate for this loss.

However, while the by-laws and economic crisis related to Ebola was generally cited by key informants as one of the factors affecting sales, there were several others noted. Input retailers noted an increase in the price of fertilizer between this year and last (anecdotally estimated between 25 and 30%), and one input retailer also expressed a sense that sales of fertiliser would increase in May compared to April because of an expectation that the rains and planting would start later this year. Overall, these findings are consistent with the household survey data which indicates no clear change in planting rates (for which seeds are essential). However, with decreased cash-on-hand for households, commercially active farming households may reduce their purchase of inputs they consider non-essential (such as fertiliser and chemicals for vegetables). In discussing the key factors limiting input sales, the most significant factors mentioned were the high cost of certain inputs (such as fertilizer), low purchasing power or limited access to credit/capital, a lack of farmer knowledge of the usefulness of these inputs and limited physical access (because input retailers cannot reach rural areas). Interestingly, each

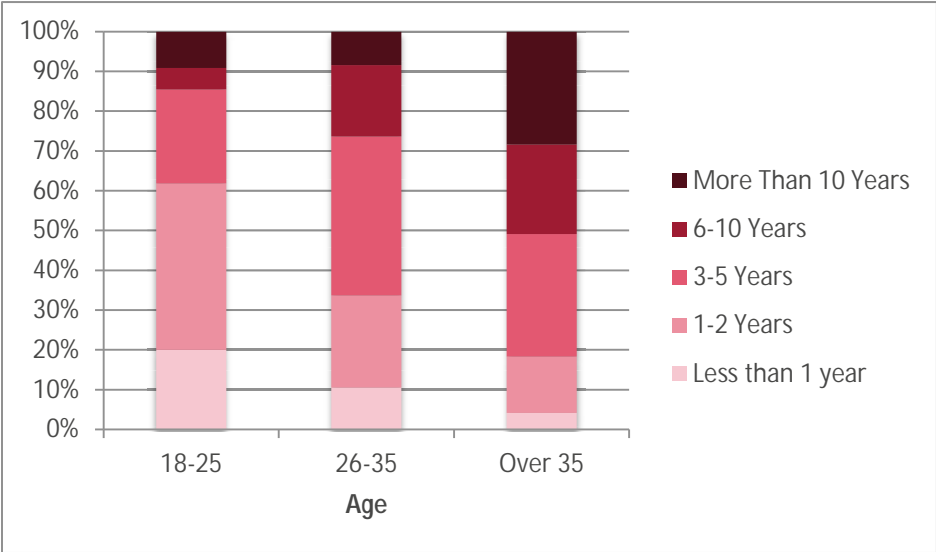
of these factors is a systemic issue, and it will be important for recovery efforts to consider opportunities to support the long-term development of the agriculture input sector by addressing (or continuing to address) these constraints.

Links to Youth Work and Income

Recent research completed by the World Bank and International Growth Centre indicated that as of February 2015, there was a noticeable increase in unemployment and business closures for youth-run MSMEs, particularly in Western Area Urban. While the survey data focuses heavily on the economic trends related to petty trade, it does not reflect impacts on those youth who have recently lost their employment or business as a result of the crisis. To fill this gap, the assessment team conducted a series of female and male youth focus group discussions, primarily in Western Area Urban. From this research, no one clear source of economic vulnerability arose; instead, a series of compounding issues emerged. Key observations include:

- **Youth are the most likely to change their main source of income, both in times of crisis and in times of stability.** In focus group discussions, youth reported high levels of movement between economic activities over the past year.²¹ Loss of the main source of income was mentioned frequently in focus groups, often related to business closures or slowdown during the economic crisis, but movement between various economic activities is common for youth. Sixty-two per cent of traders age 19–25 reported being in business less than two years, compared to 34% of traders age 26–35, and 18% of adult traders. “Jembu” business, or finding casual manual labour daily for money, was mentioned several times by male youth focus group participants as their common source of income. For youth engaged in petty trade (both male and female), the most frequently mentioned source of start-up capital for trading was friends or family members.

Chart 12 Length of Time in Current Business by Age



- **Many youth aspire to engage in petty trading. Many also hope to transition from petty trading to skilled work, other types of business or more formal employment.** Petty trading is attractive to youth

²¹ It's also important to note that some youth will have multiple sources of income at once.

for the daily income and the seeming independence it provides compared to other types of employment. Petty trade can also serve as a stepping stone to large scale trade or “business,” and its seeming potential for profitability makes it attractive. Some male focus group participants mentioned the business of quickly buying and selling a range of goods — as opposed to one specific product — as a swift means to make a profit that is widely accessible if an individual can get access to start-up capital. Several male respondents, particularly casual labourers and taxi/okada drivers (those who don’t own their vehicles) listed petty trade as an activity they would like to engage in if they had access to capital or loans. Many female focus group participants were likely to have their own business, in industries such as hairdressing or catering, but transitioned into petty trade when they lost their businesses during the economic crisis. Others engaged in some form of petty trade mentioned a desire to develop a trade or skill or find formal employment at a private company, including jobs as diverse as doing administrative work, providing customer service or driving for foreign businesses. This was consistent across both females and males. In contrast, many with trade skills also wanted to grow their income through petty trade. For youth attending or planning to return to secondary school or university, office jobs and employment in jobs of some social prominence (e.g., in government or law) were consistently mentioned as primary goals. Many of these youth seeking formal education were also engaged in petty trade to save money for school fees. Consequently, in Western Area Urban, whether youth want to increase their trading activities or make money to move into other economic activities, petty trade serves as the backbone of their economy, and as a result, income for many youth depends on household consumption.

*If I had had access to loans, I would have changed over to petty trading, because I am not highly educated.
— Youth Focus Group Participant (Mechanic)*

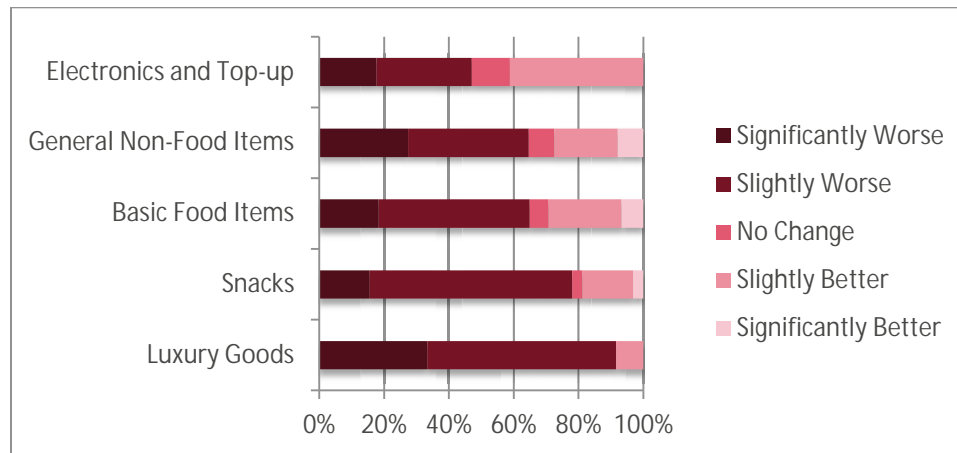
During the crisis, the petty traders who have fared worse are those with lower levels of capital and fewer resources to absorb shocks. They are also finding it more difficult to rebuild their businesses following setbacks. As seen in the household and trader results, individual savings — a key source of youth business capital — have decreased significantly. This reality makes it more difficult for youth to sustain or grow their businesses in a time of crisis.

- **A wide variety of youth economic activities experienced negative shocks over the past year. Therefore, a number of factors have contributed to a decrease in income.** Youth are highly engaged in the service industry and in the sale of non-food items. They are also likely to conduct business in the evening. The most frequently cited economic activities mentioned in female youth focus groups, in addition to petty trade, included hairdressing, restaurant work or catering and petty trade. Male youth most frequently reported working as casual labourers, taxi/okada drivers, skilled tradesmen (mechanic or mason), in entertainment and in the fishing sector. Many of these economic activities continue to be negatively impacted by the regulations associated with Ebola. Furthermore, they could be slow to rebound if households recovering their income prioritise spending on food items (which youth are less likely to sell). In trader surveys, 30% of youth age 18–25 reported limitations on business hours as the most significant problem facing their business (compared to 15% of both older youth and adults), making this the second most-cited problem after a reduction in customers. As noted earlier, this challenge may be related to youth selling from no fixed location, making it difficult to sell after curfew hours. Male youth age 18–25 also reported the greatest reduction in business hours between April 2014 and April 2015, compared to other demographics. In addition, fishermen cite that wastage and drying of fish has increased due to reduction in business hours and difficulties bringing fish from sea to market within the regulated hours of operation.

Finally, youth engaged in petty trade are more likely to sell luxury good items, sales of which have been slow to recover as the crisis diminishes. Qualitative rankings of business this year compared to last year

indicate that— with the exception of electronics and phone credit— traded items which youth survey respondents were more likely to sell have been slow to recover after the crisis. This includes general non-food items, luxury goods such as cosmetics and snacks. Salone Microfinance Trust also noted this trend, stating that businesses selling non-food items have failed to repay their loans at higher rates than those selling food items.

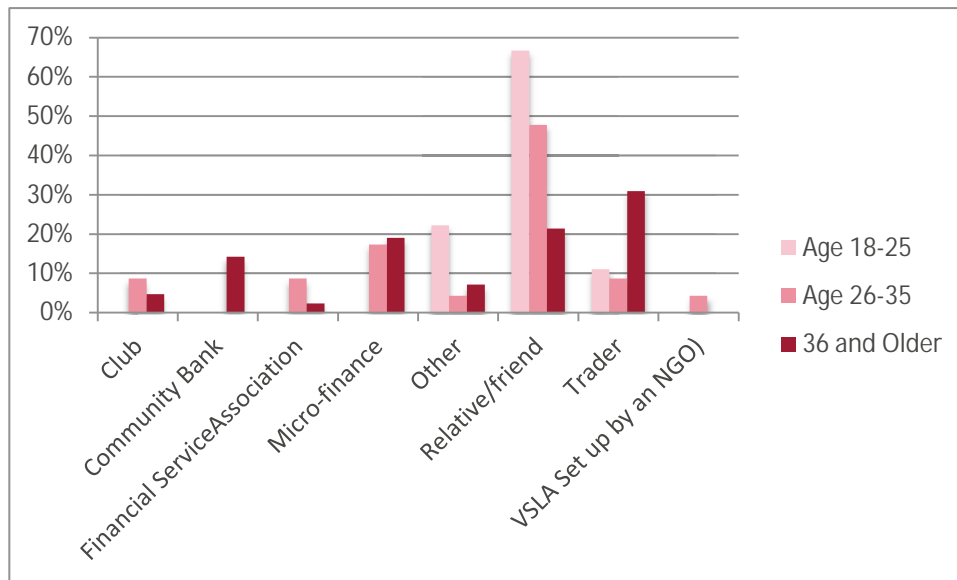
Chart 13 Business Performance Compared to Same Time Last Year



- **Youth rely heavily on relatives, savings and opportunistic cash for access to capital. These sources are vulnerable to shocks in crisis.** Youth focus group participants who engage in petty trade most frequently listed friends, family and their own savings as the informal sources of start-up capital for their businesses. This evidence aligns with the low borrowing rates and sources of loans reported in the trader survey results. The drop in savings observed in the household and trader surveys have a potential impact on youths’ ability to invest in new enterprises. Several youth also mentioned sports gambling as a source of income, a type of investment vehicle or a means of accessing capital to start business. One youth even listed playing Mercury International lotto (alongside feeding his family) as a reason he could no longer save money.
- **Youth do not access formal loans because of low financial literacy levels; lack of business experience; lack of knowledge of financial institutions and products; and low social capital.** Sierra Leone Business Forum, youth service providers (AFFORD and Call to Business) and MFIs all note that low levels of financial literacy and business skills prevent youth from understanding or planning strategies to increase their profits and grow their businesses. Youth frequently do not consider ways of adding value or increasing their margins, and they often have a limited understanding of the value of record-keeping and profit calculation. With limited access to networks for expanding this knowledge, youth continue to operate unstable businesses that are too risky for MFIs to support.

Most of the youths get their daily bread through Mercury [International] lotto ... Even though we did not win all the times, but we still continue to play with the hope of winning one day. Those that got winning for the day, share amongst friends.
 — Youth Focus Group Participant

Chart 14 Source of Loan by Age



The Market for Finance

To help understand the issues and constraints related to access to capital and access to finance, the assessment team conducted key informant interviews with a variety of players in financial services catering to MSMEs and petty traders. These revealed a challenging picture of the state of financial services targeting micro-enterprises. As noted through survey data and focus group discussions, at present, traders get their start-up and business expansion capital largely from other businesses or from family and friends. Even in normal times, the weak links to formal finance and high interest rates prevent traders from accessing formal credit. Despite these challenges, 40% of surveyed traders in Western Area Urban who took loans last year did so from MFIs (see graphs at the end of this section).

For farmers, accessing financial services has been a long-term challenge as well. Even an institution like Apex Bank, which describes agriculture lending as central to its institutional mission, has struggled to increase its agricultural loan portfolio above 10%. MFIs interviewed also report this common issue, noting that lending directly to farmers is a challenge due to low financial literacy and inappropriate or unprofitable loan products. Instead, these organizations focus their lending on agricultural traders and agri-businesses rather than production.

I save money through osusu and at home, but I don't keep at the bank, because bank protocols are too slow.
—Youth FGD Participant

Within this context, finance institutions note several struggles associated with the Ebola crisis and long-term business development. Overall, the portfolio at risk for MFIs and APEX bank increased significantly at the height of the crisis. The Sierra Leone Association of Microfinance Institutions (SLAMFI) and Ayani report that among nine reporting MFIs and Apex bank, the 30-day Portfolio at Risk (PAR) rose from 11% in June 2014 to 22% in December 2014. All participating institutions changed their business operations at the height of the crisis, with one institution (BRAC) fully shutting down operations and the remaining nine partially or fully suspending loan disbursements. However, PAR ratios have begun to improve for some MFIs. For example, the MFI A Call to

Business, which reported PARs of approximately 15% in its Western Area Urban branches (typically 9–10%) and 30% in Kenema (typically 3%), noted that clients had begun to make payments on at-risk loans in the last two weeks of April.²² Members of Apex bank reported similar findings.²³ While business closures and cash flow issues were not surprising explanations for delays in repayment, a number of other factors contributed to the loan repayment problems faced by MFIs and APEX bank members. In many cases, the operational slow down or stoppage of financial institutions significantly affected borrower incentives and ability to repay. For example, BRAC (which fully shut down operations during the crisis) had a PAR of 3% prior to the Ebola crisis and a PAR of 30% at the time of the assessment. Furthermore, when Ecobank conducted an assessment to understand why repayment rates were particularly low in Kenema, they learned that several traders had the funds available to repay their loans, but had decided to keep their money at home during the crisis in case they needed access to the cash. The Community Bank in Tongo reported similar findings from their borrowers, with management noting that its petty trading clients preferred to save their money as cash-on-hand rather than put it toward loan repayments during the crisis. Anecdotally, these institutions noted concerns that the already weak confidence in the banking sector has been eroded by the temporary closure of some financial institutions. In fact, when asked

As a petty trader, I got my capital through hairdressing. I save my money through daily osusu until I got some amount which I started doing cosmetics ... I don't have access to loans. The loans that I heard of in this community is on a (who know you) basis.

— Youth Petty Trader

their reasons for not opening accounts with formal finance institutions, several focus group and key informant interview participants noted difficulty or inability to withdraw money quickly when needed as key issues. Low trust levels, perceptions of operational inefficiency and fears about the day-to-day liquidity of financial institutions are all longstanding challenges impeding the growth of the MFI and banking sector in Sierra Leone. The economic crisis linked with Ebola-related policies and practices only exacerbated the fragility of the finance sector.

The MFI and community banking sector has taken a diverse set of actions to improve the quality of their loan portfolios. However, it is important to note that many of these strategies were in place prior to the Ebola outbreak. A Call to Business already had an expansion strategy prior to Ebola and has recently tried to increase their loan disbursements, growing their total loan portfolio by \$400,000 between December 2014 and April of 2015 (the micro-enterprise portfolio stands at \$2.5 million) and marginally increasing their client base from 9,350 in March to 9,500 in April. Members of the Apex Bank group began disbursing salary loans to improve the repayment and liquidity of their institutions. In Tongo, one branch notes that of the 20 loans it dispersed in April last year, no more than seven were salary loans (35%). In April of this year, 66% of the 29 loans it dispersed 29 loans were salary loans. Apex management notes that this will likely be a part of the bank's strategy for the next one to two years.

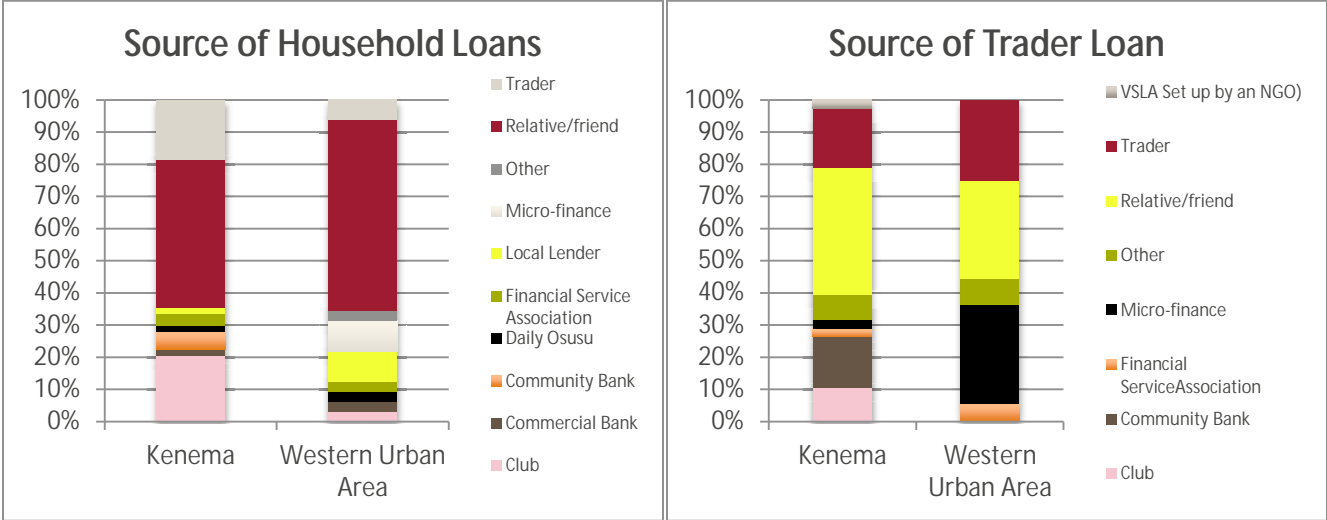
In terms of savings, both households and traders are heavily reliant on informal sources. During the crisis, respondents were more likely to continue saving through osusus (though reducing their savings levels) than other means of saving, both formal and informal. Despite charging negative exchange rates and having clear risks due to poor record-keeping and high informality, traders continue to use osusus because they provide specific benefits over alternatives. They are seen as more accessible than formal financial institutions and more

²² Importantly, it was noted that, in addition to temporary business closures, the most significant reason for its high PAR in Kenema was due to loans made to private schools which were closed during the crisis.

predictable. In focus groups, many traders noted that osusus serve as a source of capital for business investment — paying into osusus on a daily basis will mean they will receive a cash pay-out one day a month (or per cycle) to use for purchasing new goods.

In rural areas, ‘clubs’ or VSLAs provide a useful alternative to osusus because they offer positive interest on savings and a loan facility for members. Clubs and VSLAs also serve as a key source of credit — 14% of loans taken by trader respondents and 20% of loans taken by households in Kenema were taken from clubs. However, these groups only have access to the pool of capital provided by their members, and there is a dearth of these types of groups in Western Area Urban.

Chart 15 Source of Household and Trader Loans



Conclusion and Recommendations

The findings from this assessment reflect the broad economic implications of the Ebola crisis and point to several key lessons for economic recovery. For local trade, restrictions on the operation of markets and business hours continue to negatively impact business volume, particularly in Western Area Urban. Trading volumes will likely not return to their pre-crisis levels until these restrictions are lifted. In addition, reduced economic activity, particularly at the height of the crisis in late 2014, continues to hamper the amount of money and goods moving through local markets. Early recovery efforts such as cash transfers may help spur market activity in this regard. To improve market-dependent households’ resilience to future shocks and drive increases in income, it is critical to focus on the systemic issues that made these households vulnerable before and during the Ebola crisis.

Conclusions

- Despite the depth of the economic crisis associated with Ebola, some businesses and households are on the path to recovery. Many traders believe that they will be able to recover lost business if temporary regulations associated with Ebola are lifted. While in place, these regulations limiting business hours have a disproportionate, negative effect on the informal economy and the most vulnerable businesses operated by petty traders and youth.
- Individual savings have declined significantly, diminishing many petty traders’ and youths’ limited investment resource. Because this group depends primarily on borrowing from informal sources, such as

friends and family, reductions in savings limit the volume of funds available to sustain, restart or grow businesses and pursue further educational opportunities.

- There is broad consensus among financial institutions, youth service providers and business associations that low levels of financial literacy and knowledge of basic business principles limit many traders from developing profitable businesses and accessing credit for business expansion. This is particularly true for youth.
- Financial institutions serving petty traders and MSMEs continue to struggle with short-term issues such as current high portfolio-at-risk rates. Yet these institutions faced many barriers prior to the Ebola crisis, including the high cost of finance, liquidity issues and high-risk profiles of clients — particularly for agricultural and youth lending.
- Petty trade can only grow as much as consumption in the domestic economy does. In this crisis, the demand for many traded goods has decreased at a time when poor households that have lost income from other sources have turned to rely increasingly on petty trade for their livelihood. Petty traders will continue to face such challenges in future crises if the economy does not expand through MSME growth and value-added business to offer new alternatives for income growth.

Recommendations

This analysis highlights that economic recovery must focus not just on the immediate needs of households and businesses, but also on the longer-term issues that made the economy weak throughout the crisis. Rather than taking a reactive approach to recovery or implementing programmes too slow to address needs, the government of Sierra Leone and the donor community should consider the ways that economic recovery can support the overarching “Agenda for Prosperity” to improve household resilience to future shocks.

1. **Strengthen the informal economy and informal actors, particularly through inclusive finance.** Improve the income potential of petty traders and their ability to withstand future shocks by supporting club and VSLA-based savings and lending models as well as links to formal financial institutions. Increasing the borrowing power of petty traders may also have positive impacts on other market players by increasing the available credit and liquidity in markets for the goods they sell.
2. **Improve youth income potential, both through finance and demand-driven skills channels.** Recognising the prevalence and importance of petty trade, small business and employment for youth, economic recovery for this demographic must involve a multi-pronged approach
 - Promote youth-inclusive financial services and encourage young men and women to build financial literacy skills and to save and borrow responsibly through informal mechanisms as well as through formal financial institutions.
 - Facilitate smart skills building (supply-side) by promoting development of demand-driven employability skills among youth. Support service providers in assisting youth to develop job-readiness skills that are suited to concrete employment opportunities and encourage on-the-job experience through apprenticeships with large and small businesses looking to find and train effective employees. In particular, MSMEs who struggle to access finance for growth also lack the cash and risk tolerance required to finance employee training. Apprenticeship programmes targeted to subsidise wages for youth as they gain skills on the job may be a useful channel for expanding the youth skills base. Such programmes have shown success at generating longer term employment for youth, improving business operations for MSMEs and giving apprentices skills that may help jumpstart new businesses. Moreover, targeting apprenticeships in areas ripe for economic growth, including agri-business and value-added manufacturing, could also create a foundation for

- increasing long-term employment and income among youth. Build on successful skill-building and placement models in the region, including from Mercy Corps Liberia.
- On the demand side, support job-creation initiatives that will enable MSMEs to grow, thrive and diversify so that new employment opportunities for youth are generated. This type of private sector investment can lead to increased youth employment, recognizing that not all youth have the skills or desire to be successful in trade and other self-employment.
3. For agricultural households, **efforts to protect food security should strengthen market actors** and address existing barriers to growth of the agricultural sector. In Kenema, there are few privately-owned input sellers and only a nascent commercial market for inputs.
 - While some support to agricultural households may be helpful to jump-start production, vouchers or subsidies may be more useful tools than in-kind distribution in locations where existing sellers are operating, including small-scale retailers and larger sellers. These mechanisms will have the added benefit of increasing local trader incomes and strengthening ties between sellers and farmers.
 - Moreover, supporting input sellers to expand into rural areas while improving understanding of the value and use of inputs will help improve long-term prospects for increased agricultural production and agriculture-related income.
 4. In order to develop MSMEs, policies and programmes must **address the underlying issues that predate the Ebola crisis and prevent MSME development** both in urban and rural settings. The expansion of market-based youth economic opportunities and growth of consumer markets which support petty traders cannot occur without addressing constraints to export-oriented and value-added business.
 - Develop new opportunities for MSMEs to borrow and invest, such as by assisting formal financial institutions to access wholesale funds or by supporting the development of companies using embedded finance models.
 - Support business sectors with high-growth potential and impact on MSMEs, such as off-grid electricity options, to both increase jobs and improve the efficiency of MSMEs.
 - Finally, investigate value-addition and cost savings opportunities in the agro-business sector, such as investing in cold storage and cold chains, that will support export opportunities and benefit businesses at all stages of the agriculture value-chain.
 5. In order to improve the income prospects of the urban poor, it is imperative to **lift remaining regulations that are inhibiting economic activity**. Lifting limitations on business hours and periodic markets is particularly critical for rehabilitating trader and youth economic activities. No clear evidence has been produced to date that has confirmed that limiting business hours and market activity has prevented the spread of Ebola. However, the evidence of negative economic impacts is substantial, particularly given the long duration of restrictions on markets.

Thus, while the impact of Ebola on Sierra Leone has been dire, businesses are beginning to recover. However, the classic scenario still holds true: Impact on the more vulnerable businesses and population sectors has been greater, and they struggle more to recover. Pre-existing systemic issues reduce this population's resilience and hinder recovery of the economy as a whole. The post-Ebola economic recovery period is a prime opportunity to not only provide targeted support to the most-affected populations, but also to address the longer-term issues so that Sierra Leone's economy can recovery to a level far higher than it maintained before the crisis.

ABOUT MERCY CORPS

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