

# BEST'S COUNTRY RISK REPORT

## Sierra Leone CRT-5

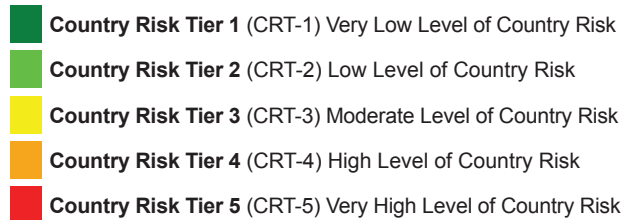
August 22, 2018

**Region:** Sub-Saharan Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Sierra Leone, a CRT-5 country, has very high levels of economic, political, and financial system risk. The country continues to recover from the civil war that ended in 2002, during which most of its institutions were impaired or destroyed.
- GDP growth has been volatile in the aftermath of the country's civil war. Reliance on volatile commodity exports to drive economic growth has added to the wide fluctuations in growth. GDP growth in 2017 was 3.5% and is expected to remain in the 3.5%-6.5% range over the medium term, as global growth conditions provide a favorable backdrop.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius at CRT-3 and South Africa at a CRT-4.



## Regional Summary: Sub-Saharan Africa

- Africa's growth prospects are expected to improve slightly on rising domestic demand, stronger global growth, a recovery in agricultural production, and modestly increasing commodity prices. However, economic growth continues to lag population growth, making any significant progress towards human development goals difficult.
- The region faces several headwinds that limit potential, including political uncertainty, challenging business environments that erode investor confidence, fiscal pressures, high debt, poverty, growing numbers of refugees, corruption, inadequate infrastructure, and an unstable security environment.
- The IMF estimates that about 40% of the region's low-income countries have a high risk of debt distress or are already in debt distress. A large share of the region's sovereign debt is denominated in foreign currency, and an appreciating dollar/euro would lead to larger debt burdens.
- Inflationary pressures have subsided owing to monetary policy, increasing foreign exchange reserves, and growing exchange rate flexibility.

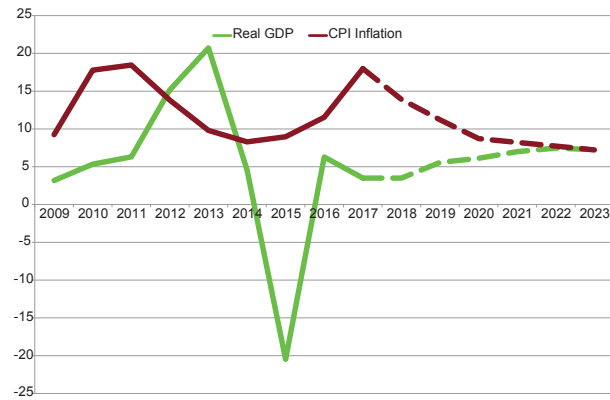


Vital Statistics 2017		
Nominal GDP	USD bn	3.64
Population	mil	7.4
GDP Per Capita	USD	491
Real GDP Growth	%	3.5
Inflation Rate	%	18.0
United Nations Estimates		
Literacy Rate	%	48.1
Urbanization	%	40.7
Dependency Ratio	%	82.6
Life Expectancy	Years	58.6
Median Age	Years	19.0
Insurance Statistics		
Insurance Regulator	Sierra Leone Insurance Commission (Slicom)	
Premiums Written (Life)	USD mil	n.a.
Premiums Written (Non-Life)	USD mil	n.a.
Premiums Growth (2016 - 2017)	%	n.a.
Regional Comparison		
	Country Risk Tier	
Sierra Leone	CRT-5	
Cote d'Ivoire	CRT-5	
Ghana	CRT-5	
Gabon	CRT-5	
Angola	CRT-5	
Nigeria	CRT-5	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



### Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

### Economic Risk: Very High

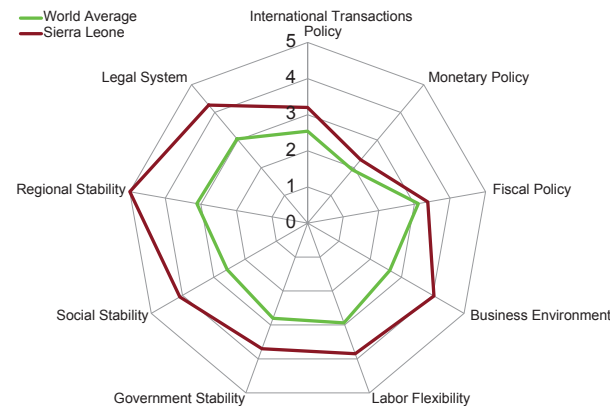
- Almost half the country's population engages in subsistence agriculture. As a result, GDP per capita is among the lowest in the world, at approximately USD500 per year in 2017. The World Bank currently allocates USD5 million a year to the country's most vulnerable, to provide a social safety net.
- The mining sector, particularly iron ore, has become more prominent in recent years. Other crucial exports include rutile and diamonds. As exports become a larger part of the economy, the country will become more vulnerable to changes in global demand conditions and fluctuation in commodity prices.
- Sierra Leone relies heavily on concession funding from a number of organizations to offset various fiscal and structural constraints.

### Political Risk: Very High

- President Ernest Bai Koroma, who had been in power since 2007, stepped down from office after serving the maximum two terms. Newly elected President Julius Maada Wonie Bio, from the Sierra Leone People's Party (SLPP), received approximately 52% of the vote in the second round of the presidential election.
- However, the opposition political party, the All People's Congress (APC), maintains its control over the legislature, which limits the president's control over parliament, with a high likelihood of periodical legislative delays and paralysis.
- Since taking office, President Bio has launched a commission to investigate corruption allegations against the previous administration. The investigation has implicated several high-ranking officials (including the former vice president) who have now been charged with criminal offenses.
- The government faces significant challenges including high levels of poverty, inadequate infrastructure, pervasive corruption, high levels of inflation, disease outbreaks, and a fragile security environment.

### Political Risk Summary

Score 1 (best) to 5 (worst)

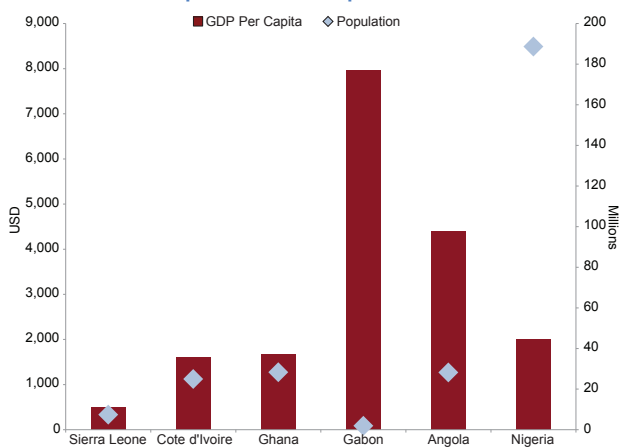


Source: A.M. Best

### Financial System Risk: Very High

- The Sierra Leone Insurance Commission (SLICOM) supervises and regulates the insurance industry. The Insurance Act was enacted in July 2016 to update insurance regulations.
- In June 2017, Sierra Leone entered into a three-year, extended credit facility with the IMF for USD224.2 million, with which it hopes to provide support to strengthen various macro-economic indicators, and over the longer term, provide a broader framework for financial sector reforms.
- Banking system vulnerabilities remain high. Several banks, including two state-owned banks, suffer from poor asset quality. Underlying vulnerabilities could become more pronounced in the weak supervisory environment. The country aims to strengthen bank supervision by increasing staff and improving the quality of on-site inspections.

### GDP Per Capita and Population



Source: IMF and A.M. Best