



**REPUBLIC OF SIERRA LEONE**  
**Ministry of Trade and Industry**

**SIERRA LEONE TRADE POLICY**

**Freetown**

**June, 2010**

# SIERRA LEONE TRADE POLICY

<b>Acronyms</b>	3
<b>Foreword</b>	5
<b>1. Introduction</b>	7
1.1 Background	7
1.2 Rationale	7
1.3 Vision	7
1.4 Overall Goals and Core Objectives	7
1.5 Guiding Principles	8
1.6 Thematic Areas and Instruments	8
1.7 The Structure of the trade Policy	9
<b>2. Situational Analysis</b>	9
2.1 Overview	9
2.2 Growth and Macroeconomic Developments	9
2.3 Structure of the Economy	11
2.4 External Developments	14
2.5 Other Economic and Social Issues	17
<b>3. The National Trade Policy: Thematic Areas</b>	<b>20</b>
3.1 The Legal Framework	20
3.1.1 The Legal Backing	20
3.1.2 Judicial and Legal System	21
3.2 Participation in Global Trade	21
3.2.1 Multilateral trade	22
3.2.2 Regional trade	24
3.2.3 Bilateral trade	24
3.3 Creating a Fair and Transparent Import-Export Regime	26
3.3.1 Tariff Measures and Duties	26
3.3.2 Non-Tariff Measures	27
3.3.3 Incentives	29
3.4 Facilitating Trade	30
3.4.1 Customs Clearance	30
3.4.2 Airport Services	32
3.4.3 Port Services	32
3.4.4 Transit Trade	33
3.4.5 TBT and SPS Measures for Imports and Exports	33
3.4.6 Export Finance	34

3.5	Enhancing Production Capacity for Domestic and Export Markets	34
3.5.1	Investment Finance	35
3.5.2	Productivity Improvement	36
3.5.3	Inputs to Production	36
3.5.4	Access to Land	37
3.5.5	Production Infrastructure	37
3.5.6	Trade Support Services	38
3.5.7	Sectoral Development: Mining	39
3.5.8	Sectoral Development: Agriculture	40
3.5.9	Sectoral Development: Fisheries	41
3.5.10	Sectoral Development: Agro-processing and other Manufacturing	42
3.5.11	Sectoral Development: Tourism	43
3.5.12	Sectoral Development: ICT	44
3.6.	Domestic Trade and Distribution	44
3.6.1	Domestic Prices	44
3.6.2	Facilitating Domestic Trade	45
3.6.3	Credit for trade	46
3.6.4	Trade Infrastructure	46
3.6.5	Promotion of Locally-manufactured products	47
3.7	Consumer Protection and Fair Trade	48
3.7.1	Consumer Protection	48
3.7.2	Access to adequate Information	49
3.7.3	Consumer representation	49
3.7.4	Consumption and Environment	49
3.7.5	Development and Enforcement of Standards	50
3.7.6	Competition Policy	51
3.7.7	Government Procurement and Provision of Public Services	51
3.8	Protection of Intellectual Property Rights	52
<b>4.</b>	<b>Institutional arrangements for the Implementation of the Trade Policy</b>	<b>53</b>
<b>5.</b>	<b>Conclusion</b>	<b>55</b>

## ACRONYMS

ACV	Agreement on Customs Valuation (WTO)
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
ARIPO	African Regional Industrial Property Organization
ASYCUDA	Automated System of Customs Data
AU	African Union
BoSL	Bank of Sierra Leone
CED	Customs and Excise Department (NRA)
CET	Common External Tariff
CGF	Credit Guarantee Fund
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms (agreement)
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
ETLS	ECOWAS Trade Liberalization Scheme
EU/EC	European Union/European Commission
FSAP	Financial Sector Assessment Program
FAST	Fast Anti-Smuggling Team
FFS	Farmer Field School
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
HS	Harmonized System (of tariff lines)
ICT	Information and Communications Technology
IDPs	Internally displaced persons
IMF	International Monetary Fund
ISRT	Inter-State Road Transit
IT	Information Technology
ITA	Information Technology Agreement (WTO)
ITC	International Trade Centre
MAFS	Ministry of Agriculture, Forestry and Food Security
MELSS	Ministry of Employment, Labour and Social Security
MEYS	Ministry of Education, Youth and Sports
MFA	Ministry of Foreign Affairs
MFI	Microfinance Institution
MFMR	Ministry of Fisheries and Marine Resources
MIC	Ministry of Information and Communication
MJ	Ministry of Justice
MLCPE	Ministry of Lands, Country Planning and the Environment
MMRPA	Ministry of Mineral Resources and Political Affairs
MoFED	Ministry of Finance and Economic Development
MTCA	Ministry of Tourism and Cultural Affairs
MTI	Ministry of Trade and Industry
MWTM	Ministry of Works and Technical Maintenance
NATCOM	National Telecommunication Commission
NCCT	National Coordinating Committee on Trade

NCDB	National Cooperatives Development Bank
NDB	National Development Bank
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NPA	National Power Authority
NRA	National Revenue Authority
NSADP	National Sustainable Agriculture Development Plan
NTB	National Tourist Board
PRSP	Poverty Reduction Strategy Paper
PSI	Pre-shipment Inspection
SLEDIC	Sierra Leone Export Development and Investment Corporation
SLIEPA	Sierra Leone Investment and Export Promotion Agency
SLMA	Sierra Leone Maritime Authority
SLNTB	Sierra Leone National Tourism Board
SLPA	Sierra Leone Port Authority
SLPMB	Sierra Leone Produce Marketing Board
SLRA	Sierra Leone Road Authority
SLRTA	Sierra Leone Road Transport Authority
SLSB	Sierra Leone Standards Bureau
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary Standards
SSA	Sub-Saharan Africa
SSL	Statistics Sierra Leone
TBT	Technical Barriers to Trade
TRIPs	Trade-related Intellectual Property Rights (WTO)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone
WB	World Bank
WCO	World Customs Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

## FOREWORD

Sierra Leone is once again enjoying peace, and this permits the development of its bountiful natural resources, reflected in its mineral wealth, good agricultural lands, seas full of fish, beautiful beaches and good rains, to rebuild its economy and alleviate the poverty of its people. Although the country has had to start all over again following its violent war, and despite the recent global slowdown that adversely affected economic performance over the past year, the Government is determined to ensure steady progress. In this regard, the Government brought together a broad range of stakeholders from across economy and the donor community to develop a Poverty Reduction Strategy, which is being implemented. This Trade Policy, also formulated in a participatory manner, will leverage the results of the PRSP. It charges Government to remove the barriers to trade and ensure an enabling environment in which the private sector can thrive and build capacity to produce quality goods and services competitively and on a sustainable basis. It also recognizes the importance of exploiting linkages between trade and the productive sectors in putting the economy on a path towards sustained growth and development, and ultimately culminating into poverty and inequality reduction in the country.

We have to bear in mind that the Trade Policy comes in the backdrop of a number of challenges. These include: infrastructure deficit; poor innovation and technological infrastructure; low levels of manufacturing value addition; little Foreign Direct Investment in manufacturing and agricultural sectors; fiscal constraints; increasing costs of exports as compared to imports; lack of product and geographical diversification in exports; and absence of economies of scale in the production processes, especially in the Small and Medium Enterprise sector which accounts for a vast majority of the enterprises in the country. The Policy addresses these challenges. In particular, deliberate interventions will be made to improve regulation and legal regime; remove trade distorting policies and practices; build capacity of institutions responsible for policy formulation, implementation and monitoring; ensure appropriate human capital and skills in the private and public sectors; and mobilize resources towards providing trade facilitating infrastructure. The Trade Policy also recognizes the opportunities available to enhance implementation, especially opportunities offered by global initiatives such as the Aid-for-trade; regional programs such as the New Partnership for Africa's Development; by progress within ECOWAS and the Mano River Union; and the

increasingly expanding non-reciprocal preferential trade arrangements that are made available by, or negotiated with, our developed trading partners.

The implementation of the Trade Policy will be guided by a Trade Support Program, a complementary document, which is based largely on an earlier-produced Diagnostic Trade Integration Study. The Program will be elaborated and costed through a number of trade-related strategies and Annual Plans. As with the formulation, the implementation of the Policy through the Program and related strategies and Annual Plans will be consultative and collaborative within Government and with the private sector and external development partners. On its part, Government is committed to implementing the Trade Policy, and I wish to call on all Sierra Leoneans and development partners to support this policy document and ensure prosperity for all Sierra Leoneans.

Ernest Bai Koroma

**President of the Republic of Sierra Leone**

# I INTRODUCTION

## 1.1 Background

Trade is critical to the development of the Sierra Leone economy. It plays a crucial role in reducing poverty as it *directly* affects the poor's levels of income and employment, and the prices they face as both consumers and producers. Trade can also affect poverty *indirectly* by stimulating economic growth and its linkage effects and dynamic processes, and through the impact on government revenues and expenditures that affect the poor. Recognizing this, the Government of Sierra Leone has made promotion of trade a core aspect of its Vision and its poverty reduction strategy<sup>1</sup>. Therefore, several initiatives and activities launched to implement the Vision and the poverty reduction strategy also have aspects that enhance the gains from trade. The Trade Policy has also been formulated in the context of implementing the PRSP and it provides a framework for enhancing the benefits and gains from domestic and international trade. In this regard, it also culls together the trade aspects of related initiatives, policies and strategies for harmonization and coherence<sup>2</sup>.

## 1.2 Rationale

The rationale for the Trade Policy is to provide a harmonized and coherent reference for trade development in Sierra Leone.

## 1.3 The Vision

The Vision for the Trade Policy is a competitive Sierra Leone economy that is integrated regionally and globally.

## 1.4 Overall Goals and Core Objectives

The overall policy goal is to promote a robust and competitive private sector and support growing production and service sectors to trade, at national and international levels, and contribute ultimately to wealth and employment generation. Therefore, the core objectives of the policy are to:

- Build capacity for participation in regional and global trade negotiations
- Develop a transparent mechanism for trade
- Provide infrastructure for trade
- Ensure a trade-supporting labor market
- Promote competition

---

<sup>1</sup> Sierra Leone: Poverty Reduction Strategy 2008-2012, Freetown, 2007.

<sup>2</sup>These initiatives include the Agenda for Change, Diagnostic Trade Integration Study, Private Sector Development Strategy; the National Export Strategy; Investment Policy Review; Financial Sector Development Plan; National Sustainable Agriculture Development Plan; Strategic Plan for Re-Launching the Tourism Sector (2006-2015); the Strategic Plan of the Sierra Leone Standards Board, and a number of legislations and regulations.

- Protect consumers
- Generate resources for Government
- Encourage the inflow of aid, private investment capital, and migrant remittances

### 1.5 Guiding and Operating Principles:

The Trade Policy is based on the following principles:

- **Development orientation** -- programs and activities undertaken should have an impact on sustainable socio-economic development
- **Development of the Private Sector as the engine of growth:** the policy will support activities and programs that develop, facilitate or promote the Private Sector as the engine of growth, with Government providing a trade-enabling environment
- **Market Integration:** programs and activities which directly integrate markets should be undertaken to facilitate free movement of labour, capital as well as goods and services
- **Policy coherence** – care is taken to ensure policy coherence, synergies and complementarities in the country’s development programs
- **Balancing internal needs and external obligations:** policy ensures an appropriate balance between the country’s internal needs and its external (bilateral, regional, and multilateral) obligations

### 1.6 Thematic Areas and Instruments

The Trade Policy will be formulated in the following thematic areas<sup>3</sup>:

- Multilateral, Regional and Bilateral Trade
- Creating a fair and transparent Import-Export regime;
- Facilitating trade;
- Enhancing Production Capacity for Domestic and Export Markets;
- Domestic Trade and Distribution;
- Consumer Protection and Fair Trade;
- Protection of Intellectual Property Rights

Each thematic area has components that present specific policies. To ensure clarity, the presentation of these policies comprises:

- the policy context – the importance of the policy target
- policy objective – the objective being pursued

---

<sup>3</sup> While these thematic areas reflect the opportunities and challenges regarding trade in Sierra Leone, the choice of specific areas has been made to facilitate harmonization with policies in the West African Monetary Zone.

- policy prescriptions – what will be done

**1.7 The structure of the Trade Policy** includes, besides this introductory chapter, a situational analysis in Chapter II, which examines the opportunities, challenges and risks in trade policy design and implementation in Sierra Leone, and a presentation of the thematic areas and themes in Chapter III and, in Chapter IV, a brief presentation of the institutional arrangements for implementation and a conclusion.

## **II SITUATIONAL ANALYSIS**

### **2.1 Overview**

2.1.1 Sierra Leone's economy is fast picking up from its war past<sup>4</sup> and progress is marked by the government's commitment to re-establishing the conditions that would enable the economic and social development of the country: implementing measures to stabilize the macroeconomy, seeking sustainable growth, reducing poverty, and consolidating peace, despite continuing regional instability and the impact of the recent global economic slowdown. The Government has recognized trade as a key element in the country's economic transformation efforts. The prevailing opportunities underlined by the rich natural endowments, privileged maritime geographical position, growing political stability, and international goodwill mask the challenges of the small domestic market, undiversified economic structure, poor infrastructure, weak institutions, governance deficiencies, and unskilled labour force to influence the prospects of trade and define the respective roles of government and private sector as well as external Development Partners in trade development.

### **2.2 Growth and macroeconomic developments**

2.2.1 Sierra Leone's recent economic growth has been strong. After an initial post-war surge, economic growth has been sustained at an annual average of 7.3 percent from 2003 to 2008, but weakened to 4 percent in 2009, reflecting the impact of the global economic crisis. The economic recovery has been supported by the reactivation of the agricultural and mining sectors and, on a smaller scale, the services sector (transport, communication, trade and tourism). In a comparative context, Sierra Leone's recent growth performance over the past decade has surpassed the sub-Saharan Africa average (5.7 percent) and the average of heavily indebted poor countries (HIPC) (5.4 percent).

---

<sup>4</sup> Sierra Leone's violent civil conflict (from 1991 to 2002) wreaked havoc on the country's social fabric and its economy: exposing the people to extreme hardship and vulnerability, accelerating brain drain and capital flight, disintegrating institutions, and destroying infrastructure.

2.2.2 In general, Sierra Leone has made an effort to maintain a stable macroeconomic environment, which is critical for trade development, but not without challenges.

- As is typically the case in fast growing post-conflict reconstruction period, inflationary pressures increased. By 2004, inflation had reached an annual average high of 14.2 percent. The government adopted policies focused on reducing inflation, and by 2006 inflation fell to 9.5 percent, and after increasing slightly in 2007 and 2008, reflecting mainly external shocks affecting the prices of food and fuel, it registered an annual average of 9.2 percent in 2009.
- The nominal effective exchange rate depreciated enough in 2006 -2009 to offset the rise in inflation, keeping the real exchange rate stable and in line with fundamentals, despite the deterioration of terms of trade.
- While there is heavy dependence on taxes collected by customs for public revenue – with customs duties comprising almost 50 percent of government revenues -- government efforts have resulted in a steady increase of domestic tax revenues from 10.8 percent of GDP in 2007 to 11.7 percent in 2009.
- However, chronic fiscal deficits, due in large measure to the post-conflict rehabilitation programme and a weak domestic tax base, impair the Government's capacity to undertake development-related expenditures. The government has, therefore, increasingly relied on grants, which have averaged 40 and 30 percent of government budgetary resources from 2000 to 2005 and 2006-2009 respectively, to cover budgetary shortfalls. Off-budget aid flows have also been substantial.
- Meanwhile, budgetary management become even more difficult when there are delays and shortfalls in donor inflows.
- Monetary policy has reflected this fiscal performance. Increases in bank credit to Government have been contributing to a rapid increase in broad money. Also, interest rates and lending rates have been affected by the fiscal challenges. While the commercial banks' lending rate has fluctuated between 24 to 30 percent since 2005, the Treasury bill auctions pay approximately 18 percent, causing a crowding out of credit flows to factor and product markets.
- It is also worth mentioning that remittance inflows are very high (currently estimated at 11% of GDP). While these significantly help to mitigate the impact of poverty and to contribute to capital formation, the high level of remittances leaves Sierra Leone slightly more exposed to economic shocks in developed economies that affect the income generating capacity of the Diaspora.

**TABLE 1: SIERRA LEONE: SELECTED MACROECONOMIC INDICATORS**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real GDP Growth (in %)	18.2	18.8	21.6	9.6	7.5	7.4	6.4	4.8	5.0
Nominal GDP Market Prices (US\$ mil)	806.05	1317.1	1433.6	1430.1	1486.8	1629.7	1939.1	1968.9	2161.9
Agriculture's Contribution to GDP (%)	40	44	44	46	48	47	46	46	n.a
Inflation, Annual average (in %)	3.4	-3.7	8.2	14.2	12.1	9.5	11.7	12.8	9.2
Exchange Rate (% + Depreciation)	23.2	1.4	14.5	10.4	2.5	1.4	0.1	1.5	28.2
Money Supply (M2 Growth in %)	33.7	29.6	21.8	20.0	31.2	21.5	22.8	22.4	27.6
Domestic Revenue (% of GDP)	13.0	8.6	8.6	9.3	9.7	10.2	9.2	11.4	11.1
Total Expenditure and net lending (% GDP)	29.5	20.3	18.5	18.0	19.2	18.7	14.2	19.3	21.4
Fiscal Deficit incl grants (% of GDP)	-10.6	-5.9	-1.4	-1.9	-1.4	-1.6	-0.8	-3.4	-3.0
Import (% of GDP)	-20.7	-19.3	-21.9	-18.1	-24.5	-21.6	-20.7	-23.3	-27.6
Exports (% of GDP)	3.9	4.6	7.7	10.8	12.4	15.4	14.5	16.0	15.0
Overall BOP (\$m)	-25.6	-26.0	-91.7	-42.0	-72.4	-61.8	33.9	-22.5	86.9
Overall BOP (% of GDP)	-3.5	-2.1	-6.5	-2.9	-4.9	-3.8	1.7	-1.1	4.7
Gross International Reserves (\$m)	51.3	84.6	66.5	122.1	144.5	184.2	215.5	209.5	36.3
Gross Reserves (in months of import)	2.4	2.7	1.7	3.8	4.0	4.2	5.3	4.3	6.2
Total External Debt Outstanding (\$m)	1427.6	1536.0	1662.2	1710.2	1689.6	1610.9	536.7	620.2	680.0
Debt Service payment (\$mil)	87.8	46.4	45.7	44.9	26.1	17.3	9.0	9.2	12.0
Debt Service payment Ratio(% of Export G&S)	301.8	80.7	41.2	29.2	6.9	6.9	3.3	2.9	4.3

*Source: Sierra Leone authorities and WAMI staff estimates*

## 2.3 Structure of the economy

2.3.1 The structure of the economy has remained relatively unchanged over the postwar period, with agriculture maintaining a central role followed by the service and industrial sectors respectively, but this structure is also typical of least developed countries as a group and countries in the region. From 2001 to 2008 agriculture contributed an average of 45 percent of GDP. The agriculture sector has also shown stronger growth than the other sectors since the end of the war. Growth in the agricultural sector has been mainly in crops and to a lesser extent in fisheries, while in the industrial sector it has been concentrated in mining and construction, compensating for slow growth in manufacturing. The transport and communication sector as well as the finance and real estate sectors were the main drivers behind the service sector growth, but the performance of the sector has been

dampened by a decrease in the tourism and related services as a result of the drawdown of international organizations' staff as the country stabilized after the war.

2.3.2 Given Sierra Leone's rich soil and plentiful rainfall, it is not surprising that agriculture, including fisheries and forestry, is the mainstay of the economy, contributing about 46 percent of the GDP, providing employment for about 75 percent of the population (with women as the predominant labour force), and offering the most important potential for exports and a major increase in incomes in rural areas, where the majority of the poor reside. The crops sub-sector dominates followed by fisheries and within these there is potential for diversification and increases in production. In this regard, it is worth noting the following:

- Although the land resource base is broad, with 75 percent of total land area suitable for cultivation, only 15 percent is cultivated. Of the cultivated land, only 20 percent is devoted to cash crops (2.5 percent of overall arable land) mainly coffee, cocoa and some palm oil.
- Severely hampered by the war and still short of pre-conflict 1990 levels, exports of coffee and cocoa are rebounding, while rice production is also on the increase<sup>5</sup> and recent studies indicate that the potentials of oil palm, cashew nuts, ginger, and gari (cassava) are also significant.
- While agricultural production is subject to annual climatic conditions, in the long term, climate change is not expected to severely impact Sierra Leone's favourable rainfall and agricultural potentials if forest cover is maintained.
- The potential for fisheries development is also high. Currently, industrial fishing takes place mainly under joint-venture agreements but the catch is processed abroad due to a lack of adequate facilities in Sierra Leone; standards and codes of conduct are being developed in accord with the EC directives on sanitary certification for fish and fish products
- There are numerous other opportunities for adding value in agriculture and raising the income of rural communities. In the past, such opportunities were successfully developed but at a high cost of unsustainably high subsidies and political maneuvering that ultimately resulted in failures. Lessons from other countries indicate the need to promote the involvement of the private sector,

---

<sup>5</sup> Sierra Leone was nearly self-sufficient in rice production, its main staple, but rice production reduced by 20 percent as a result of displacement of people during the conflict. With the return of many Sierra Leoneans, production is once again increasing. By 2004, rice production had returned to pre-conflict levels and in 2006 had more than doubled compared to 1990 pre-conflict levels

while government provides an enabling environment which may include smart subsidies, regulation and some public goods such as research and extension

- However, as pointed out by recent agricultural studies, there are also challenges to be addressed, including: lack of expertise; declining soil fertility; low technological inputs; poor agriculture infrastructure; lack of capacity for processing and preserving produce; problems of input and output marketing; limited availability of financial services, especially rural and microfinance; land titling and land tenure problems; uncompetitive tax structures; and weak coordinating mechanisms.

2.3.3 The Government has formulated a strategy for developing agriculture (the National Sustainable Agriculture Development Plan (NSADP)) that rests on four pillars, namely:

- ✚ Commercialization of Key Commodities including a Small-Holder Commercialization Scheme and Medium and Large Farm Producers Promotion Scheme;
- ✚ Agriculture Infrastructure with focus on Rehabilitation and Upgrading of Feeder Roads, Development of Irrigable Swamps, Rehabilitation and Modernization of Storage and Processing Facilities and Rehabilitation and Construction of Research Centers and MAFFS/MFMR Facilities;
- ✚ Private Sector Promotion, which will focus on policies and legislation to encourage sustainable domestic and international investments in the agricultural and fisheries sector; and
- ✚ Sector Coordination and Management to improve transparent, efficient and effective sector coordination and management.

2.3.4 Non-farming production activities in Sierra Leone are concentrated in mining, largely diamonds, but also iron ore, platinum, nickel, ilmenite, bauxite, gold as well as rutile. Indeed, rutile and bauxite exports accounted for an average of 13 percent of GDP from 1990 until the mines closed in 1995 due to the conflict. During the same period (1990-1995), diamond exports accounted for only 3 percent of GDP and their contribution to the economy continued to decline significantly as a result of smuggling and lack of governance and problems at the mining site. Since 2002, the mining sector has had a strong re-emergence, reflecting the reactivation of the rutile and bauxite mines in 2006, renewed diamond mining and the implementation of the Kimberly Process Certification Scheme. From 2003 to 2007, the value of diamond exports reached an annual average of 10 percent of GDP and in terms of volume, 2007 diamond exports were the third highest recorded since 1987. The recent global crisis adversely affected diamond prices, but this is expected to be temporary. Renewed mining activities in other minerals such as gold and ilmenite are also beginning to play a factor in mining's overall economic contribution. Current plans to start exploiting iron ore once again will also contribute to the mining sector's recovery and growth. Sector management and legal conflicts over mining contracts that present and act as a discouraging factor for investment in the sector are being addressed

2.3.5 As with much of sub-Saharan Africa, a strong manufacturing sector has been elusive in Sierra Leone. The manufacturing sector, therefore, remains small and consists mostly of import-substituting industries, largely comprised of beverages and cement, which employ about 2 % of the labor force, while a large informal sector also produces handicrafts and furniture. The lack of infrastructure, electricity in particular, has been a significant hindrance to the development of this sector.

2.3.6 The services sector comprises mainly of transport, banking, communications, insurance and professional services. There was also a small but thriving holiday tourism industry in the 1980s and recent studies (DTIS) have indicated that it can be rebuilt, despite the infrastructural deficiencies and the country's image problem due to its troubled past. Government is, therefore, making the effort to revive the sector and has developed a tourism strategic plan, which will serve as the framework for future developments in this sector

## **2.4 External Developments**

2.4.1 The external sector has been hit hard by the global crisis, which adversely affected the diamond exports. Even that apart, Sierra Leone has traditionally recorded a trade deficit as a result of its reliance on imports, particularly food and fuel. Reconstruction efforts and the reactivated mining

sector have also caused an increase in manufactured goods and machinery imports. The rising cost of fuel imports until November 2008 was the main driver behind the widening trade deficit, reversing the narrower balance since 2003. Sierra Leone's gradual reduction in the volume of food imports, particularly rice, slowed the expansion of its trade deficit. The sharp reversal of world energy prices in 2008 and the opening of the Bumbuna dam in 2009 should further cut the fuel import bill.

2.4.2 There has been considerable surge in exports since the end of the war, and by 2007, export values were more than double the 1990 level. Minerals, in particular diamonds, have long been the main exports of Sierra Leone, and the post-war increase in exports reflect mainly the ability of the government to migrate diamond exports to official channels; the reopening of the bauxite and rutile mines; and new industrial diamond mining projects. As indicated earlier, the recent global crisis has temporary dampened the surge in mining exports. Albeit to a much lesser extent than mining, agriculture is also contributing to export earnings once again. In particular, exports of cocoa and coffee, important agricultural exports prior to the conflict, have begun to recover. In 2007, together these two commodities equalled 6 percent of total export value, 86 percent of which was from cocoa alone. This recovery has also benefited from increasing world market prices.

2.4.3 Recent developments in the current account deficits have mostly reflected the deterioration in the services account and movements in the current transfer balances which more than offset the gains recorded for the merchandise and income accounts. The services account deficit has worsened since 2005 as shipping costs related to increasing imports and construction services also increased.

2.4.4 In March 2002, Sierra Leone reached the Heavily Indebted Poor Countries (HIPC) Initiative decision point, which made it eligible for US\$950 million in debt service relief, which was approximately 80 percent of the country's outstanding foreign debt.

2.4.5 Sierra Leone's trade is concentrated in few markets, and since 2000, the direction of trade structure has not changed: the European Union remains the main destination of exports (about 80% of exports), followed by ECOWAS (12%), while imports come from the EU (30%), followed by ECOWAS (29%), ASEAN countries (26%), the United States (6%), and Middle East (5%).

2.4.6 Sierra Leone enjoys preferential market access from some of its key trading partners. In particular, the country

- benefits from the “Everything But Arms Initiative of 2001”(EBA) arrangement with the E.U. which provides the country with favorable access to the EU market and does not require Sierra Leone to offer preferential market access to the EU. However, new trade relation with the EU is

now being negotiated under the planned Economic Partnership Agreements (EPA) between the EU and ECOWAS. The main feature of the EPA, which could have significant implications for the country's trade and trade revenues, is its reciprocity and non-discriminatory nature which involve the removal of trade preferences and progressive removal of trade barriers between partners. It will, therefore, involve mutual access to each others' markets, liberalization of trade in services and a promotion of investment and competition. While the EPAs are based on the notion of promoting efficiency through competition and also include technical and financial assistance for trade and development, its impact could be mixed because of the fragility of Sierra Leone's production system.

- enjoys preferential access to the US market under the AGOA. However, the country's export performance to the US under AGOA, which was estimated to have reached US\$211,000 and US\$ 99,000 in 2007 and 2008, remains weak, but there is potential for increase in non-traditional exports (ginger, cashews, textiles and garments) under the arrangement.

2.4.7 Sierra Leone became an original Member of the WTO on 23 July 1995 and is committed to the multilateral trading system, based on clear and firm rules able to guarantee market access and to promote growth, development, and job creation at the global level; it is also committed to its obligations within the WTO, and grants most-favoured-nation (MFN) treatment to all its trading partners.

2.4.8 The Constitution of Sierra Leone sets the promotion of sub-regional, regional and inter-African cooperation and unity among the main foreign policy objectives, and is a member of a number of regional organizations, including:

- the African Union and NEPAD, which provide the overall framework for regional integration in Africa;
- ECOWAS, whose objectives include the convergence of economic performance and policies of member states through a multilateral monitoring procedure; adoption of a common external tariff; creation of a common market<sup>6</sup>; creation of a monetary union; and harmonization and coordination of national policies; and

---

<sup>6</sup> Sierra Leone has signed the ECOWAS Trade Liberalization Scheme-ETLS, which allows products originating from member states to be exported duty free and without quota restrictions to other member states provided they meet the 35% local content requirement.

- Mano River Union (MRU), which aims to constitute a customs and economic union, to improve living standards. Meanwhile, the MRU countries have indicated their commitment towards adopting common border protection and internal market liberalization.

## **2.5 Other Economic and Social Issues**

**2.5.1 Population:** Sierra Leone's population, currently estimated at about 6.2 million, is growing at 2.1% (doubling the population approximately every 34 years). By 2050, the population of Sierra Leone is expected to have at least doubled to 12.4 million people. However, beyond the country, the growth of the Mano River Union (MRU) which includes Côte d'Ivoire, Guinea, Liberia and Sierra Leone needs to be considered both in terms of demand for commodities and also potential markets within a planned free-trade area. The current MRU population is estimated to be 36.9 million persons but expected to reach 88.6 million by 2050. Within the ECOWAS region, the market potential is even bigger, with the population of Nigeria, currently approximately 140.8 million projected to grow to 289 million by 2050. This tremendous population growth in the region will present many opportunities for new economic development as regional markets expand, especially in commodities such as rice. However, the growth will also put stress on natural systems and increase water competition between urban and rural areas.

**2.5.2 Human resources:** Sierra Leone continues to suffer significantly from 'brain drain', leading to many of the country's brightest technical and entrepreneurial minds leaving and becoming permanent members of the Diaspora, with the consequent constraints on the ability to exploit the national production potentials. The Government is, however, committed to re-vamping the educational system, with emphasis on vocational and technical training, to increase the supply of skilled labour.

**2.5.3 Infrastructure:** The country's infrastructure needs after the war are immense and still growing, but priority is being given to improving the energy supply, roads and maritime/fluvial and air transportation as well as information and communication technology (ICT) sectors on the basis of their potential to transform the economy, accelerate growth in the productive sectors and rapidly improve market access as well as increase access of large poor rural communities to life enhancing services. This set of supportive infrastructure is expected to provide the necessary incentive for both local and foreign investment and is an important pre-condition for the establishment of an enabling environment for private sector activities.

**2.5.4 Financial and Banking Sector:** Sierra Leone's financial sector is dominated by the banking sector, consisting of the Bank of Sierra Leone (BSL) at the apex, 14 Commercial Banks, and 6 Community Banks. The financial sector is beset with both systemic and institutional inefficiencies.

These have contributed to the high cost of financial intermediation and limited the availability of financing for productive investment, especially for small and medium size enterprises. Legislative and other structural inadequacies also handicap the financial sector. These inadequacies include: a high volume of non-performing loans; inadequate judicial procedures for loan recovery; inadequate credit risk evaluation mechanisms for bank clients; and high intermediation costs. They have been aggravated by the protracted period of civil strife, and by the system's generally limited outreach facilities. Measures to address this problem have included a revision of the Bank of Sierra Leone Act and the Banking Act to provide a sound legal framework for the banking system consistent with a more independent central bank and effective banking supervision as well as sound prudential guidelines. Micro-finance schemes are also being implemented with a view to promoting small-scale enterprises and informal sector activities in manufacturing, trade and services. A financial sector development plan has been formulated towards diversifying the financial sector; strengthening financial sector soundness and improving financial governance to reduce risks, enhance financial intermediation and create an enabling environment for business; enhancing the mobilization of medium and long term capital to support production and development, and promoting financial inclusion towards empowering the poor and alleviating poverty.

**2.5.5 Governance:** Sierra Leone suffers from all aspects of poor governance that arise mainly because of an over-centralized system of administration, an over-burdened judicial system (with the justice system plagued with outdated laws, inadequate personnel and logistical problems), weak public and local government institutions, corruption issues, and mismanagement. Efforts being made to address the governance weaknesses include (a) improving the legal framework as well as public policy making, monitoring and control systems. An Anti-Corruption Commission (ACC) has also been established since 2000 to fight corruption. This effort has been greatly aided by the tremendous response by the public in reporting their complaints and allegations to the ACC. The results have been encouraging, reflected, for example, by an improvement in Sierra Leone's rating on the Mo Ibrahim Governance Index.

**2.5.6 Gender:** Women constitute 50.3 percent of the total population of Sierra Leone. In agriculture, women farmers are responsible for 80 percent of food production, processing, preparation and distribution and livestock production. Their status is low and is steeped in deep structural discrimination by traditional custom and law. In Governance, the constitution of Sierra Leone grants equal opportunities to women and men, and Sierra Leone is a signatory of the Convention on the Elimination of All forms of Discrimination Against Women (CEDAW), which guarantees women's political rights. However, customary laws continue to discriminate against

women in areas such as inheritance. Efforts are ongoing to review discriminatory laws. The Government has also established gender focal points in all the key ministries and has created the Ministry for Gender and Children's Affairs, which has drafted a comprehensive Policy on Gender Mainstreaming.

2.5.7 **Environment:** Sierra Leone faces a number of environmental problems resulting from natural factors, population growth, economic and social activities, especially mining. Government is committed to formulating and implementing sound environmental policies for land degradation, deforestation, biodiversity, erosion from road construction, urbanization, mined-out lands, urban degradation and pollution.

2.5.8 **Other Challenges in the economy** include: the high cost of doing business, reflecting the governance issues, inadequate infrastructure, and poorly implemented incentives, especially in regard to fiscal and tariff regimes, as indicated above; widespread smuggling, lack of standardization, which is required for products to be able to compete internationally; unfavourable international trade rules; and weak capacity of institutions

### III POLICY THEMATIC AREAS

#### 3.1 The Legal Framework

The Judiciary has an important role in the implementation of the Trade Policy, including drafting the legal backing for the document, revising existing laws to reflect the new policy stance and interpreting the laws in a transparent manner to facilitate implementation of the policy.

##### 3.1.1 Legal Backing

Policy Context	The legal backing and framework of the Trade Policy as well as the institutional framework for its implementation and monitoring are important parameters that need to be defined.
Policy Objective	To define the legal basis of the Trade Policy and to enjoin all stakeholders to work within its framework
Policy Prescriptions	<ol style="list-style-type: none"><li>i. The Trade Policy will be established through the constitutional and legal provisions of the country</li><li>ii. The Trade Policy will be amended from time to time to reflect the realities of the period</li><li>iii. Authorizations issued before the commencement of the Trade Policy shall continue to be valid for the purpose and duration for which issued</li><li>iv. Public notices, policy circulars, notifications and decisions issued before the coming into force of the Trade Policy will also be deemed to remain valid under the current policy to the extent that they are not inconsistent to the spirit and provisions of the Trade Policy</li><li>v. The Ministry of Justice shall be responsible for drafting the necessary amendments to the laws implied in the Trade Policy, while the various Ministries and Government agencies shall issue any necessary notices, circulars and policy guidelines</li><li>vi. Implementation of the trade Policy will be given attention at the top management level of the relevant ministries</li><li>vii. Consistent with the above, the Government will strengthen the National Coordinating Committee on</li></ol>

	Trade (NCCT).
--	---------------

### 3.1.2 *Judicial and Legal System*

Policy Context	The Judiciary shall be responsible for the interpretation of the laws and adjudication of cases of dispute. While the legal system of Sierra Leone is consistent with international laws, its efficient and speedy functioning is constrained by poor staffing and poor infrastructure.
Policy Objective	To improve the efficiency of the legal and judicial system to support an enabling business environment
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will make available publicly through appropriate and diverse media the legal information, including amendments to the laws, that would be useful or of interest to the business community</li> <li>ii. Government will improve the staffing of the legal and judicial system and provide adequate logistical system to enhance efficiency of the system</li> <li>iii. Government will put in place a Grievance Redress Committee and consider the establishment of commercial courts to facilitate speedy redress of grievances on trade, industrial and other commercial matters</li> </ul>

## 3.2 **Participation in Global Trade**

Participation in global trade holds a number of benefits for the Sierra Leone economy: larger markets for the country's exports and for accessing imports to support domestic production; bringing discipline and efficiency to domestic production through increased competition; and availability of a larger variety of consumer products at fair prices. However, multilateral trade rules can impose cumbersome obligations on Sierra Leone without bringing matching benefits, especially where the country has not built capacity to compete effectively in trade. Therefore, there is need to ensure a balance between internal and external benefits and costs in commitments made under various

negotiations. In addition, countries must ensure that their capacity building needs are adequately given attention in the context of the negotiations.

### 3.2.1 Multilateral Trade

#### *(a) Market Access in Industrial and Agricultural Products*

Policy Context	<p>In the global trading environment, the WTO sets the framework within which all member countries must trade and it offers the most efficient and effective forum for achieving tariff reductions across international markets. Of particular importance to Sierra Leone are the tariffs on products that Sierra Leone currently exports or are the focus of its diversification efforts; tariffs on final products that use inputs imported from Sierra Leone; and subsidies on agricultural products that compete with Sierra Leone’s products and can distort competition in international markets or unfairly undermine domestic production and diversification efforts. In addition, WTO platform offers opportunity for developing countries to obtain support for building supply-side capacity under the Aid-for-Trade program.</p>
Policy Objectives	<ul style="list-style-type: none"> <li>• To improve market access for Sierra Leone’s agricultural, fisheries and industrial sectors, while developing their ability to compete in global markets.</li> <li>• To obtain global tariff reductions and elimination of non-tariff barriers on goods produced in Sierra Leone.</li> <li>• To obtain reduction in subsidies on products competing with Sierra Leone’s products</li> <li>• To ensure that country obtains appropriate support towards building capacity to compete effectively in global trade. .</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will continue to participate in multilateral trading negotiations and build its capacity to negotiate so as to ensure that the country’s interests are secured and that the trading rules offer the best opportunity for the country’s development</li> <li>ii. Government will advocate, through the WTO, progressive elimination of agricultural, fisheries and industrial export subsidies in trading partner countries</li> </ol>

	<p>as well as the substantial reduction in their other trade distorting support.</p> <p>iii. Government will target other new markets and take advantage of duty-free and quota-free (DFQF) market access provided by large developing countries to low-income developing countries.</p> <p>iv. Government will take advantage of Aid-for-trade and seek support to overcome long-term trade constraints and make the economy more resilient with diversified sources of growth and trade</p> <p>v. Government will ensure that it retains the right to support its own producers</p>
--	---

*(b) Trade in Services*

Policy Context	<p>The services sector is an important part of the Sierra Leone economy, and the size of the service sector in the economy and as percentage of both imports and exports is increasing. Imports of cost-effective services can support and catalyze domestic production and exports. WTO is the forum for negotiations on services, including financial, transport, telecommunication and IT under the GATS. Service issues are also being negotiated under the EPA. While Sierra Leone has liberalized most of services in all modes, interests change in the globalized, dynamic environment. Sierra Leone must, therefore, continuously identify its offensive and defensive interests on services and build capacity to defend them in GATS and EPA.</p>
Policy Objectives	<ul style="list-style-type: none"> <li>• To provide access to foreign services not readily available in Sierra Leone</li> <li>• To support the development of the service sector in Sierra Leone</li> </ul>
Policy Prescriptions	<p>i. Government will engage in WTO and EPA services negotiations to enhance access to specific service sectors where the country has comparative advantage</p> <p>ii. Government will encourage competition in the</p>

	<p>provision of specific services in the domestic market</p> <p>iii. Government will ensure that there are legal and regulatory provisions to protect consumers from unfair practices and to support development of the domestic sector in the context of liberalization of specific services markets.</p>
--	--

### 3.2.2 Regional Trade

Policy Context	<p>Sierra Leone has embraced regional trade integration through ECOWAS and other regional arrangements as an element of its reconstruction. The ECOWAS customs union has agreed on a common external tariff and internal free trade, which will increase competition, but also provide access to a larger market for goods, services and investments to underpin efficient production, cheaper prices and availability of a wider variety of products that will benefit consumers. However, Sierra Leone has to build capacity to take advantage of the scheme, which for now, is causing the country to lose much needed revenue while other ECOWAS nations are exporting to Sierra Leone. Meanwhile, the related West African Monetary Zone will eventually establish a common currency, with all the benefits of a single currency to enhance the integration arrangements. ECOWAS is, however, a building block for a wider integration of Africa, which is being pursued through the AU and its NEPAD program.</p>
Policy Objectives	<ul style="list-style-type: none"> <li>• To promote access to a wider market to support industrialization, investments, and trade.</li> <li>• To facilitate trade between Sierra Leone and other ECOWAS and rest of African countries</li> <li>• To enable Sierra Leone’s products to compete freely in the regional market</li> <li>• Strengthen collective bargaining with the rest of the world</li> </ul>
Policy Prescriptions	<p>i. Government will honour its obligations regarding existing ECOWAS protocols and support the establishment of a full customs union and, eventually, a monetary union</p> <p>ii. Government will support and implement measures aimed at removing obstacles to full ECOWAS integration</p>

### 3.2.3 Bilateral Trade and Preferential Market Access

#### *(a) Economic Partnership Agreements (EPA) with the European Union (EU)*

Policy context	Sierra Leone benefits from non-reciprocal market access to the EU and the majority of Sierra Leone’s products enter the EU market duty free. However, Sierra Leone is involved, through ECOWAS, in negotiations with the EU on an EPA. A key element will be that countries such as Sierra Leone will have to offer duty free access to most imports from EU countries. This will have a significant effect on tariff revenues and may have important impacts on domestic import competing farmers and industries. However, the EU intends the EPA to be a tool for economic development, and negotiations cover a broad range of trade and trade-related policies beyond tariffs. Sierra Leone will have to negotiate carefully so that it does not lose more than it gains
Policy Objective	<ul style="list-style-type: none"> <li>• To maintain enhanced access in goods and services while limiting the negative impacts on revenue and local industry</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will support the EPA process and negotiate through ECOWAS, the most flexible, asymmetric and phased arrangement possible to ensure Sierra Leone maintains and improves market access while protecting sensitive industries until they are ready to compete</li> <li>ii. Government will ensure that Sierra Leone takes full advantage of opportunities provided by the EPA. In this regard, Government will link liberalization to the provision of technical assistance and technology transfer from the EU to build the capacity of domestic industry.</li> <li>iii. Government will negotiate for EU support to implement its own trade facilitation programs towards reducing transactions costs of importing and exporting in Sierra Leone</li> </ol>

***(b) Bilateral Trade Arrangements and Preferential Market Access***

Policy context	As a complement to multilateral efforts, there is scope to develop improved access to selected markets through bilateral trade and investment arrangements. In particular, many developed countries provide Sierra Leone and other developed countries preferential access under schemes such as the African Growth and Opportunity Act (AGOA) and the Generalized System of Preferences (GSP). These arrangements generally offer opportunities for exports and cheaper imports of inputs for local production, and they also help to promote the private sector.
Policy Objectives	<ul style="list-style-type: none"><li>• To take full advantage of preferential schemes and other opportunities offered in key strategic markets and foster business cooperation, technology transfer and foreign direct investment inflows.</li></ul>
Policy Prescriptions	<ol style="list-style-type: none"><li>i. Government will seek improved access to key markets through bilateral trade and investment arrangements, including preferential trade agreements, while ensuring that existing market access is not eroded through NTBs and other measures.</li><li>ii. As part of the overall export promotion agenda, Government will actively identify, develop and promote products and services for which Sierra Leone has marked potential under preferential schemes.</li></ol>

**3.3 Creating a Fair and Transparent Import-Export Regime**

Sierra Leone has adopted a transparent trade regime in order to promote trade and encourage investments. However, there are a number of constraints being addressed. Government will continue to systematically identify and remove restrictions in Sierra Leone’s import-export regime.

***3.3.1 Tariff Measures and Duties***

***(a) Import duties***

Policy context	Restrictions in the import regime can protect inefficient industries, leading to higher prices to the detriment of consumers. Therefore, Sierra Leone has adopted the ECOWAS Common External Tariff, thereby eliminating the use of tariffs as a trade policy instrument. Also, its tariff lines are all bound to enhance predictability.
Policy Objectives	<ul style="list-style-type: none"> <li>• To align the country's duties with those of ECOWAS</li> <li>• To encourage competition in production</li> <li>• To ensure fair prices for consumers</li> <li>• To counteract unfair trade practices such as dumping and subsidies by foreign companies and governments</li> <li>• To ensure predictable tariff regime, which reduces uncertainty and risks in business</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Tariffs will be determined by ECOWAS from time to time.</li> <li>ii. In line with ECOWAS, Governments will use tariffs to check unfair trade practices and encourage domestic production of strategic commodities</li> <li>iii. Governments will improve tariff administration so as to enhance revenue generation and development of industry.</li> <li>iv. Exemptions from the applied tariffs, to be clearly defined by Government, will be granted only on a clear set of criteria such as imports for government and charitable purposes and imports of "social products", including all basic educational materials, and pharmaceutical products for primary health care.</li> </ol>

**(b) Export duties**

Policy context	Export duties and taxes are used to generate revenue for government but they have the disadvantage of increasing costs and making Sierra Leonean products uncompetitive. Therefore, Sierra Leone is determined to eliminate export duties, except for a few products such as diamonds, and the Investment Promotion Act (2004) aims to ensure this.
Policy Objective	To ensure that export duties and taxes do not increase costs and make Sierra Leone's products uncompetitive in international markets
Policy Prescription	Government will only levy export taxes selectively such as to recover part or full cost of services provided or on

	commodities whose production involve damage to the environment
--	--

### 3.3.2 Non-Tariff Measures

#### (a) *Import Permits and Prohibitions*

Policy context	Import controls and permit requirements are sometimes used to limit or prevent certain imports, but these can distort investment decisions to favour uncompetitive sectors. Therefore, apart from exceptional cases, Sierra Leone maintains an open trade regime.
Policy Objective	To prevent import controls from distorting efficient allocation of resources.
Policy Prescription	Government will use import controls and import permits only exceptionally and on the basis of clear and transparent criteria, including for environmental protection, national security, public health and safety, moral or welfare reasons

#### (b) *Export Controls*

Policy context	Export controls, including certification, can be used to maintain national reputation of certain standards or in compliance with international requirements. However, excessive control of exports can distort domestic markets and limit export potential.
Policy Objectives	<ul style="list-style-type: none"> <li>• To comply with international requirements for certain strategic and sensitive exports</li> <li>• To preserve national reputation of certain standards</li> <li>• To prevent control of exports reducing competitiveness in international markets</li> </ul>
Policy Prescription	Government will ensure that both export prohibitions and certification requirements are based on clear and transparent criteria such as meeting international requirement, maintaining national reputation for certain product standards and quality, and preserving the environment, natural resource, cultural heritage and food security

#### (c) *Rules of Origin*

Policy context	Sierra Leone normally accords the same preference to all imports. However, only imports from ECOWAS receive
----------------	---

	<p>certain duty privileges provided the local content of the product meet the required criteria set by member countries. On the exports side, several rules of origin exist under the various bilateral and multilateral trade preferential schemes. Application of these rules of origin remains a constraint for Sierra Leone's exports as capacity issues often arise in their application under the trade agreements.</p>
Policy Objectives	<ul style="list-style-type: none"> <li>• To ensure the rules of origin are simple and transparent</li> <li>• To ensure Sierra Leonean producers take advantage of preferences in ECOWAS and other partner markets</li> <li>• To support production in Sierra Leone by requiring the use of local materials in domestic production for exports</li> <li>• To ensure the system of preferences is not abused by misapplication</li> <li>• To build capacity of Exporters to be able to understand and meet rules of origin requirements.</li> </ul>
Policy Prescription	<ol style="list-style-type: none"> <li>i. Government will formulate a framework for rules of origin to operationalize regional and international agreements</li> <li>ii. Government will require producers to take advantage of market opportunities in other countries made possible by the ECOWAS and EPA rules of origin</li> <li>iii. Government will facilitate capacity building of exporters to be able to understand and meet rules of origin requirements.</li> </ol>

### 3.3.3 Incentives

#### *(a) Export Incentives*

Policy context	<p>Incentives to exporters and producers of export products help to attract investment to the sector and boost export development. Well designed incentives such as duty drawbacks would allow both direct and indirect exporters to obtain inputs rapidly at world prices; and provide the legal framework to facilitate the operation of export processing zones. The introduction of a VAT system, with an efficient reimbursement mechanism, could also be a very good complementary measure and a significant improvement for business operations if coordinated with an automatic duty drawback. On the other hand, export constraints such as lengthy export processes discourage export development.</p>
----------------	--

Policy Objectives	<ul style="list-style-type: none"> <li>• To encourage production of various export commodities by lowering cost of production and making them better able to compete in international markets</li> <li>• To ensure that incentives offered for exports are not abused by diverting them to support production for local market</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will facilitate access to export credit and provide support such as cash payments, tax rebates, and effective WTO compliant subsidies</li> <li>ii. Government will provide fiscal incentives on certain imported inputs for export production</li> <li>iii. Government will provide the legal framework and support the establishment of efficient free multi-purpose zones to facilitate quick and effective movement of imported inputs and finished export goods through the ports</li> <li>iv. Government will provide a system of inward processing under bond to enable producers to obtain upfront duty exempt imported inputs.</li> <li>v. Government will continue to explore other efficient ways of providing incentives to exporters such as effective refund of VAT, and duty drawback</li> </ol>

***(b) Import Incentives***

Policy context	The cash flow cost to traders and producers to clear all imports and hold portions as inventories increases prices to consumers and producers
Policy Objective	To lower cashflow burden and, therefore, cost to producers of holding import inventories
Policy Prescription	Government will facilitate the operation of an efficient computerized bonded warehouse with effective inventory control and security and penalties against malpractice to enable producers hold stock of imports and only pay applicable duties when goods are actually sold or used.

**3.4 Facilitating Trade**

Trade facilitation programs, which would involve the streamlining of trade procedures, modernization of customs clearance and clearance facilities, and improved transparency in the application of trade regulations as well as the availability and quality of trade-related infrastructure,

help to minimize cross-border transactions costs and the complexity of international trade for businesses, thereby enhancing the benefits of trade. Trade facilitation can have significant impact on economic development, contribute to export growth, and improve competitiveness of Sierra Leone’s goods and services in global markets. Furthermore, improving the customs systems will enhance customs revenue collection. Applying regulatory controls effectively is also vital for combating fraud and trafficking of prohibited and restricted goods to protect the community as well as providing a level playing field for trade and business, strengthening statistical information on foreign trade transactions, and meeting international obligations. Airport and port activities and costs can also be a major constraint on exports and imports. They not only add to the cost of marketing, which precludes the export or imports of lower value goods, but lack of appropriate facilities can also prevent the export of perishable produce because of risk of delay.

**3.4.1 Customs Clearance**

<p>Policy context</p>	<p>Customs procedures are manual, numerous, and cumbersome often leading to corruption by public officials. Cumbersome and lengthy also raise cost of imports and discourage doing business in Sierra Leone. This can be particularly problematic for businesses which depend heavily on the importation of inputs, but can also increase cost of consumer goods. Solving problems related to customs procedures as well as other port and trade procedures lowers trading costs and enhances international competitiveness. Government is, therefore, modernizing the customs procedures and laws to ensure (a) compliance with the WTO Agreement on Customs Valuation; (b) the use of the Harmonized Commodity Description and Coding System (HS) of tariff nomenclature; and (c) a risk management approach for customs inspection. Sierra Leone has also adopted the Automated System for Customs Data or ASYCUDA, an integrated customs information system, to improve the processing of import and export information, customs warehouse inventory control, statistical reporting and customs</p>
-----------------------	---

	declarations. Further actions could enhance progress and efficiency in this area.
Policy Objective	To enhance rapid and efficient customs clearance, thereby helping to reduce costs
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will establish a new coordination mechanism to better connect the various agencies involved with import and export clearances.</li> <li>ii. Government will build the necessary technical capacity towards improving customs and anti-smuggling procedures; customs information systems and warehousing; valuations, risk management and inspections; and other customs management systems.</li> <li>iii. Government will eventually eliminate the use of pre-shipment inspection procedures, reference values, deposit payment requirements and bank guarantees for granting clearance permits.</li> </ol>

### 3.4.2 Airport Services

Policy context	The Freetown (Lungi) International Airport is Sierra Leone's only gateway airport. Its connection to Freetown is very complicated and costly, but the problem of access can only be addressed in the long term. Meanwhile, airport facilities, including transfer services, can be improved to meet internationally accepted aircraft and passenger security and safety standards as well as provide appropriate export and import facilities such as warehousing and cold storage.
Policy Objectives	<ul style="list-style-type: none"> <li>• To provide good cold chain and cargo storage facilities, for merchandize imports and exports; and</li> <li>• To make the port services more efficient</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will upgrade airport facilities and encourage the private sector to operate storage and cold chain facilities, on commercial basis, from the production point to the airport</li> <li>ii. Government will reduce airport taxes and landing fees</li> </ol>

	iii. Government will promote competition in airport transfers and cargo handling services to ensure their efficiency and cost effectiveness.
--	--

### 3.4.3 Port Services

Policy context	In the situation where intra-regional road and air links remain weak, sea transport accounts for substantial portion of foreign trade by volume. Efficient maritime transport is therefore critical to Sierra Leone's trade and income growth. On the other hand, port delays and high charges impair export competitiveness as well as increase price of imports for consumers and cost of imported production inputs. Freetown port infrastructure can be upgraded to ease congestion, while automation can further enhance efficiency.
Policy Objective	To reduce trading costs by ensuring provision of adequate and efficient services at the ports.
Policy Prescriptions	Government will undertake the following: <ul style="list-style-type: none"> <li>• Improve working relations with shipping lines by making discharge operations more efficient</li> <li>• Invest in development of port staff through targeted training and workshops;</li> <li>• Restructure port operations to increase their efficiency</li> <li>• Encourage private participation in the building and operation of port infrastructure</li> <li>• Develop Freetown port as a suitable transshipment port and;</li> <li>• Develop a free trade zone, in the longer term.</li> </ul>

### 3.4.4 Transit trade

Policy context	Transit trade between Sierra Leone and other Mano River Union (MRU) countries is substantial, especially for incoming merchandise.
Policy Objective	To improve transit facilities, making movement of goods between Sierra Leone and other MRU countries cost-effective, safe and secure.
Policy Prescriptions	i. Government will seek cooperation with the other MRU countries to facilitate transit trade ii. Government will improve facilities for border

	<p>clearance to lower cost and shorten time required for clearance.</p> <p>iii. Government will improve inter-state road transport to facilitate transit trade.</p> <p>iv. Government will encourage the development of alternative and cheaper means of inland transportation</p>
--	--

### 3.4.5 Technical Barriers and Sanitary and Phyto-Sanitary Measures Applicable to Imports and Exports

Policy context	<p>Applying standards on internationally traded goods ensures that they meet certain specified health, safety, environmental and technical requirements. Therefore, the capacity to meet commercial quality requirements and comply with standards is increasingly being seen as a core competence for effective participation in international trade. Yet, in Sierra Leone, as in some other developing countries, there is only an incipient ‘culture’ of quality, plus only limited and isolated capacity to meet standards and quality requirements. Compliance with standards involves costs which may include up-front investment in new infrastructure, equipment, management systems, and human capital as well as various recurrent costs such as for inspection, testing. However, to reap benefits from trade, compliance costs should not exceed the benefits.</p>
Policy Objective	<p>To continue to enforce health, safety, environmental and technical standards while ensuring that they do not result in undue delays and costs to importers or exporters.</p>
Policy Prescriptions	<p>i. Government will raise awareness of relevant public officials as well as producers and traders of major standards and quality challenges.</p> <p>ii. Government will work with producers and traders to assist them in identifying and complying with international standards.</p> <p>iii. Government will put in place measures to monitor compliance with standards.</p> <p>iv. Government will provide adequate inspection facilities and ensure speedy and cost effective assessment of compliance with standards</p> <p>v. Government will strengthen capacity of the Sierra Leone Standards Board, the Ministries of Trade and Industry, Ministry of Health, Ministry of Agriculture,</p>

	<p>and other institutions dealing with standards</p> <p>vi. Government will selectively participate in technical and political forum where standards are set or negotiated at international, regional or bilateral levels to serve and defend Sierra Leone’s interests.</p>
--	---

### **3.4.6 Export Finance**

Policy context	Access to export finance facilities, including export credit, export insurance and export guarantees is essential to supporting producers and exporters, especially non-traditional exporters. However, a vast majority of Sierra Leoneans have very limited access to financial facilities, while financial services are expensive.
Policy Objectives	To ensure access of producers and exporters to affordable export finance facilities
Policy Prescriptions	<p>i. Government will create a challenge fund (or competitive grant fund) to provide long term loans, partial guarantees and MFI refinancing in support of SMEs and agriculture.</p> <p>ii. Government will support the broadening of financial services through the commercial and community banks, microfinance institutions and insurance companies.</p> <p>iii. Government will facilitate provision of concessionary export finance facilities to the non-traditional export sector to increase access, and lower cost of finance, to exporters.</p>

## **3.5 Enhancing Production Capacity for Domestic and Export Markets**

Developing production or supply side capacity is important if Sierra Leone should be able to take advantage of market access opportunities. It is a key ingredient in increasing exports, diversifying production and strengthening market-led industrialization. Government will, therefore, identify and address challenges regarding factors of production, including: investment finance; availability of appropriate skills other production inputs; access to land; and production infrastructure; and trade support services as well as specific sectoral issues.

### **3.5.1 Investment Finance**

Policy context	Capital or investment finance from domestic and foreign sources, including direct foreign investment and remittances, is essential in developing production capacity. However, like many African countries, there are a number of important financial constraints to expanded production in Sierra Leone: low level of monetized savings, high lending rates; thin spread of banking outlets and limited range of financial products; limited access of SMEs, the backbone of production, to credit, especially long-term credit which is more appropriate to support production; difficulties of many borrowers in presenting collateral acceptable to banks; and lack of credit information.
Policy Objectives	<ul style="list-style-type: none"> <li>• To encourage mobilization of domestic resources towards supporting investments</li> <li>• To encourage both domestic and foreign investment in production activities</li> <li>• To encourage and facilitate inflows of foreign direct investment and remittances</li> <li>• To enhance availability of credit, especially long-term credit, in supporting production in the economy.</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will encourage and facilitate inflows of foreign direct investment and remittances into the country</li> <li>ii. Government will continue to reform the financial sector and address challenges of availability and cost of credit through measures targeted at improving the mobilizing domestic resources; supporting medium and long term lending; and promoting access to financial services.</li> </ol>

### **3.5.2 Productivity Improvement**

Policy context	Development of managerial and technical skills as well as use of appropriate technology is important in enhancing competitiveness, improving quality and meeting international standards as well as ensuring consistency.
Policy Objectives	<p>To improve managerial and technical skills in production and trade-related activities</p> <p>To improve use of appropriate technology in production</p>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will commit resources to support technical and managerial training in response to</li> </ol>

	<p>demands in the production sector.</p> <ul style="list-style-type: none"> <li>ii. Government will improve responsiveness of technical education and training to develop a critical mass of skilled workforce for industrial development</li> <li>iii. Government will encourage private provision of technical and managerial training</li> <li>iv. Government will provide fiscal and other incentives to encourage technology improvement</li> <li>v. Government will support knowledge generation and information dissemination to enhance skills and managerial development as well as facilitate technology adaptation and improvement</li> </ul>
--	--

### ***3.5.3 Inputs to production***

Policy context	Availability and cost of inputs, including raw materials, energy, water and machinery, are important determinants of production capacity. Domestic production of inputs also enhances value addition and linkages among industries as outputs of some industries are used as inputs in others.
Policy Objectives	<ul style="list-style-type: none"> <li>• To ensure availability of production inputs at competitive prices</li> <li>• To encourage value addition and linkages along the domestic supply chain</li> </ul>
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will promote opportunities for economically beneficial linkages along production and supply chains by requiring the use of local materials services in production.</li> <li>ii. Government will give tariff incentives for the importation of machinery and will promote competition in the supply of locally-produced inputs.</li> <li>iii. Government will make utilities available at competitive prices</li> </ul>

### ***3.5.4 Access to Land***

Policy context	Land is a key supply side factor, especially in agriculture, manufacturing, real estate and tourism, and it can also be used as collateral to access finance. Therefore, access to secure land is important for both domestic and foreign investors. However, Sierra Leone has a complex dual system (freehold
----------------	--

	and leasehold) of land tenure that imposes restrictions on land-related investment, especially for foreigners. Moreover, under unwritten customary traditions and laws, women have very limited property and land rights, in contradiction with their significant role in agriculture.
Policy Objectives	<ul style="list-style-type: none"> <li>• To ensure access to secure land for all prospective responsible investors</li> <li>• To enhance the possibility of the use of land as collateral for finance</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will reform and simplify the process of acquiring land for productive investments</li> <li>ii. Government will introduce laws to allow women to inherit land.</li> <li>iii. Government will encourage the private sector to develop serviced industrial and agricultural estates with the necessary infrastructure</li> </ol>

### ***3.5.5 Production Infrastructure***

Policy context	The cost and availability of infrastructure (transport, including roads, rail, ports and airports; electricity -- generation, transmission, distribution and rural electrification; water -- supply and access to clean water, sanitation, water treatment; agriculture infrastructure -- irrigation, sanitary and phytosanitary inspection; and telecommunication -- telephony and internet connectivity) are key determinants of production capacity as well as prices of domestically-produced goods.
Policy Objectives	<ul style="list-style-type: none"> <li>• To ensure the provision of adequate infrastructure in a cost-effective way.</li> <li>• To increase the reliability and efficiency of infrastructure for producers</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will ensure reliable and efficient provision of utilities at competitive prices.</li> <li>ii. Government will promote sustainable energy generation and water conservation to ensure their long-term availability and lower prices.</li> <li>iii. Government will support the expansion and maintenance of road network, including feeder roads to facilitate production.</li> <li>iv. Government will encourage private participation in the provision of infrastructure</li> </ol>

### 3.5.6 Trade Support Services

Policy context	Export promotion and support services are both critical to the success of a strategy of export-led industrialization. In particular, while Sierra Leone has set up export promotion agencies such as the SLIEPA, the expected results can be diminished by lack of support services in such areas as production, marketing, sales, negotiations, international trade finance, export procedures, banking, transport and standards. Support services are needed to facilitate export growth both in existing and new markets. While the service industry has been growing, in Sierra Leone, as in many other African countries, the sector is dominated by foreign firms. However, not all the providers are equipped to ensure quality trade-related services. Moreover, while regulations could be used to enhance competition, local capacity also needs to be developed to provide alternatives.
Policy Objectives	<ul style="list-style-type: none"> <li>• To develop and diversify exports of traditional and non-traditional produce to existing and new markets</li> <li>• To ensure availability of a variety of trade-related services.</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will formulate and implement a National Export Strategy and strengthen the existing export promotion agencies to ensure a full range of export promotion services, including collection and dissemination of information on products and market opportunities, support participation in trade fairs and exhibitions in other countries, provision of market entry support services, and export management training.</li> <li>ii. Government will encourage private sector to invest in providing export support services to ensure high export performance</li> <li>iii. Government will encourage competition in the provision of trade support services</li> </ol>

### 3.5.7 Sectoral Development – Mining

Policy context	Mining has long been an essential industry to the economy of
----------------	--

	Sierra Leone, and it will remain so in the near future even as it pursues essential diversification of its economy. The mineral sector in Sierra Leone comprises three subsectors: large-scale production of precious minerals – diamonds; artisanal and small-scale production of precious minerals – mainly diamonds, and to a much lesser extent, gold; and large-scale production of non-precious minerals – rutile and bauxite. Mining is helping speed the recovery, finance imports, and generate needed employment. Mining must be developed to continue to generate benefits, while also addressing its adverse impacts on the economy.
Policy Objectives	<ul style="list-style-type: none"> <li>• To attract responsible investment into large-scale mining</li> <li>• To ensure fair benefits to investors, labour and communities in the mining sector</li> <li>• To ensure competitiveness of the mining industry</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will pursue a strategy of attracting investment and encouraging use of appropriate technology in mining</li> <li>ii. Government will encourage skills development in the mining sector</li> <li>iii. Government will promote corporate social responsibility in mining</li> <li>iv. Government will promote competitive, open and transparent system of trade in diamonds and gold, while combating smuggling</li> <li>v. Government will encourage value addition in mining, such as cutting and polishing, within the constraints of market forces.</li> </ol>

### ***3.5.8 Sectoral Development – Agriculture***

Policy context	The development and diversification of agriculture is critical in determining rural livelihoods and food security, and improving the trade balance, while agro-processing plays a central role in diversification.
Policy Objective	<ul style="list-style-type: none"> <li>• To promote sustainable growth and diversification of agricultural output so as to restore food security, generate tradeable surpluses, and stimulate investment and trade in agro-industry.</li> </ul>

Policy Prescriptions	<p>i. Government will facilitate the implementation of the National Sustainable Agriculture Development Plan, which includes:</p> <ul style="list-style-type: none"> <li>○ Supporting commercialization of key agricultural products;</li> <li>○ Improving agriculture infrastructure, with a focus on rehabilitation and upgrading of feeder roads, development of irrigable swamps, modernization of storage and processing facilities</li> <li>○ Strengthening agricultural and livestock research and establishing Farmer Field Schools;</li> <li>○ encouraging the introduction of new technology as well as providing for the acquisition, multiplication, and dissemination of new and improved plant and animal material;</li> <li>○ providing incentives for importation of agricultural equipment; increasing farm accessibility;</li> <li>○ improving access to land, providing farm incentives and security in the countryside, and rehabilitating partially developed inland valley swamps; and</li> <li>○ facilitating access to credit and encouraging private sector investment in food crops (rice, maize) and non-traditional export products such as cashews, gari (cassava), palm oil, and ginger.</li> </ul> <p>ii. Government will ensure proper planning and management of forest resources to build positive synergies between forests and sustainable exports.</p> <p>iii. Government will ensure that national products meet international standards to improve market access</p>
----------------------	---

### 3.5.9 Sectoral Development – Fisheries

Policy context	Fishery is a potential source of trade and livelihood in Sierra Leone but currently minimal benefits are derived from this resource because of minimal value addition. Growth in the
----------------	--

	sector is constrained by weak government policies, poor fisheries infrastructure (including port landing, processing and cold storage facilities), and weak management and research capacity. Currently, Sierra Leone fish and fishery products are restricted from entering the EU because of not meeting the EU sanitary and quality standards. This has created major trade barriers for the country's high-valued fish species to reach the EU markets. Moreover, weak fisheries monitoring, control and surveillance systems encourage illegal fishing and overexploitation of the fisheries resource, threatening the sustainability of the fish stocks.
Policy Objective	<ul style="list-style-type: none"> <li>• To increase export earnings from the fisheries sector</li> <li>• To diversify exports from the fisheries sector</li> <li>• To improve sustainability of the fish stocks</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will facilitate private participation in the modernization of the fisheries infrastructure to international standards</li> <li>ii. Government will promote the application of quality standards in the fisheries sector</li> <li>iii. Government will strengthen the regulation of the fisheries industry towards export development</li> <li>iv. Government will support the building of management and research capability in the fisheries sector</li> <li>v. Government will ensure the monitoring, control and surveillance of the fishery resources</li> <li>vi. Government will facilitate credit and encourage private sector investment in fish processing industry</li> </ol>

### ***3.5.10 Sectoral Development – Agro-processing and Manufacturing***

Policy context	Agro-processing has a backward linkage effect in promoting commercialization and diversification of agriculture and fisheries. It also has a forward linkage role in adding value to agricultural and fishing produce and nurturing the manufacturing industry. Local manufacturing also generates long-term local value through the use of local raw materials, helps to attract capital and contributes to building a skilled
----------------	---

	labour force. However, the manufacturing sector is small and consists mostly of import-substituting industries, largely comprised of beverages and cement. Beyond agro-processing and import substitution, the country has potential in developing artisanal to meet demand in developed countries, many of which offer preferential market access. The provision of adequate infrastructure, electricity in particular, is considered significant in supporting the development of this sector.
Policy Objective	<ul style="list-style-type: none"> <li>• To promote agro-processing as a foundation for manufacturing in Sierra Leone</li> <li>• .To promote artisanal and other manufacturing activities</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will facilitate credit, encourage private sector investment in agro-processing industry, and assess the profitability of, and support, the adaptation and making of small-scale processing equipment.</li> <li>ii. Government will ensure that national products meet international standards to improve market access</li> <li>iii. Government will encourage and facilitate SMEs in artisanal and other manufacturing activities</li> <li>iv. Government will ensure adequate supply of electricity and other infrastructure to manufacturing</li> </ol>

### ***3.5.11 Sectoral Development – Tourism***

Policy context	<p>The tourism industry is arguably one of the largest industries in the world today, and Sierra Leone also has the potential to develop the industry and enjoy its benefits (to local labour and capital and in foreign exchange earnings) because of the country’s nice beaches, lush vegetation, interesting wildlife, warm and fairly dry weather, proximity to Europe, and interesting heritage, by implementing appropriate strategies. In addition, certain kinds of tourism can be import-intensive. There are also the social, cultural and environmental challenges that need to be managed carefully. Government has formulated a Strategic Plan for Re-Launching the Tourism Sector (2006-2015) that brings Government and private sector together in working towards common goals in revamping the industry.</p>
----------------	---

Policy Objectives	<ul style="list-style-type: none"> <li>• To develop the tourist industry while minimizing the import dependence and the non-economic costs – social, cultural and environmental.</li> <li>• To develop tourism and trade-related services</li> <li>• To address deficiencies in the tourism infrastructure</li> <li>• To deliver professional and efficient services in the tourism sector</li> <li>• To rebrand Sierra Leone as an attractive tourist destination</li> </ul>
Policy Prescriptions	<p>i. Government will continue to implement the Strategic Plan for Re-Launching the Tourism Sector (2006-2015) including:</p> <ul style="list-style-type: none"> <li>○ marketing the country as an important tourist destination;</li> <li>○ supporting capacity building in the tourism industry towards efficient delivery of services;</li> <li>○ strengthening regulation of tourist activities; and</li> <li>○ encouraging investments in logistics, new hotels and improvement of existing accommodation, and other tourism infrastructure</li> </ul>

### ***3.5.12 Sectoral Development – ICT***

Policy context	<p>ICT is strategic for trade development, both domestic and international. It enhances the ability of producers, manufacturers, service providers, processors, traders, importers and exporters to communicate and receive information on prices, orders, specifications, and numerous other variables critical to trade. ICT also facilitates fast and efficient processing and effective controls by customs, immigration and other services, and enables the introduction of best practices such as regarding electronic lodgement, compliance management, risk analysis, and timely and accurate trade and management statistics. ICT development will support innovation, improvements in efficiency and productivity in the economy. Thus, ICT is so vital for the implementation of the strategy and trade improvement that its use should be mainstreamed in all sectors.</p>
Policy Objective	To enhance and mainstream use of ICT in all relevant sectors

	towards trade development in the country.
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will develop and implement an ICT strategy and ensure that it caters for trade.</li> <li>ii. Government will support the building of IT skills and literacy.</li> </ul>

### 3.6 Domestic Trade and Distribution

Domestic trade development underpins international trade. An efficiently functioning domestic market reflects in a vibrant international trade and distribution of products for local consumption. The availability and price of products on the domestic market also affects consumer welfare. As with international trade, the driving elements in domestic trade include prices, access to finance, trade infrastructure and promotional activities.

#### 3.6.1 Domestic Prices

Policy context	Sierra Leone maintains a liberalized trade regime, and there is no control of prices except for selected strategic items like fuel, transport and utilities whose prices are regulated to alleviate poverty or to address an obvious situation of market failure. The liberalized system (with its market-determined price) clears the market by creating a fair balance between prices paid by consumers and prices accepted by producers as a fair return. Interfering with the market prices can affect availability of goods or services on the market.
Policy Objective	To ensure that prices on the domestic market are determined largely by market forces
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will maintain the operation of a liberalized market regime, with minimum intervention and only when absolutely necessary to address market failure</li> <li>ii. Government will foster competition and address causes of market failures to facilitate the working of the market-based system</li> <li>iii. Government will gradually move towards reactivation of price tagging and will establish a standards body to monitor prices and market performance</li> <li>iv. Government will gradually move towards liberalizing prices of fuel, transport and utilities, which are currently controlled</li> </ul>

### 3.6.2 Facilitating Domestic Trade

Policy context	Considerable proportion of domestic trade, especially those carried out by micro and small enterprises are undertaken on informal basis. Activities in the informal market do not always benefit from formal institutional support as they are not registered and they are not regulated except for reasons of public health. However, many micro and small businesses avoid formal registration because of fear of taxation or excessive regulation
Policy Objectives	<ul style="list-style-type: none"> <li>• To bring trading activities in the informal sector into the formal sector</li> <li>• To expand the tax base</li> <li>• To enable micro and small enterprises access formal institutional support to expand their businesses</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will find ways to improve speed and simplify business registration procedures</li> <li>ii. Government will encourage micro and small businesses to formalise their enterprises by introducing lower tax rates for them.</li> <li>iii. Government will provide targeted support to formally-registered micro and small enterprises</li> </ol>

### 3.6.3 Credit for Trade

Policy context	Lack of credit is a major constraint to the operation and expansion of the activities of micro and small enterprises. Government has formulated and will facilitate the implementation of a Financial Sector Development Plan, which, among other concerns, provides policy prescriptions towards addressing the issue credits.
Policy Objective	To make credit available to producers and traders, especially micro and small enterprises
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will encourage commercial banks and community banks to extend credit to producers and traders, especially the SMEs.</li> <li>ii. Government will encourage traders and micro and small enterprises to form cooperatives to improve their accessibility to credit</li> </ol>

	<ul style="list-style-type: none"> <li>iii. Government will improve regulation of MFIs, while providing support such as training to enhance their capability and efficiency of services</li> <li>iv. Government will improve financial infrastructure to facilitate especially debt recovery, and will also encourage and support financial institutions to establish credit bureaus towards reducing the risks of lending to SMEs</li> <li>v. Government will encourage group lending by commercial banks and community banks</li> </ul>
--	---

### ***3.6.4 Trade Infrastructure***

Policy context	Availability and access to infrastructure, including road and river transport, electricity, ICT, market structures and storage facilities, are important in supporting delivery and sale of goods in domestic markets
Policy Objectives	<ul style="list-style-type: none"> <li>• To facilitate speedy and efficient delivery of goods from production points to markets at reasonable costs</li> <li>• To increase and modernize market places and other necessary facilities for the sale of goods</li> </ul>
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will provide roads, including feeder roads, and ensure their proper maintenance</li> <li>ii. Government will promote and support the development of inland waterways</li> <li>iii. Government will ensure provision of market infrastructure, including stores and storage facilities</li> <li>iv. Government will promote the spread and use of telecommunications and other ICT throughout the country</li> <li>v. Government will encourage the participation of private sector in the provision of infrastructure, especially market and storage facilities and ICT</li> </ul>

### ***3.6.5 Promotion of Locally Manufactured Products***

Policy context	The development of the manufacturing, especially agro-processing and other industries using local inputs, creates positive linkage effects and promotes domestic and international trade. However, domestic manufacturing is
----------------	--

	challenged by the perception that imported goods are superior. Moreover, there is limited awareness of the availability and variety of locally-produced goods as well as local inputs that can be used in manufacturing
Policy Objectives	<ul style="list-style-type: none"> <li>• To promote local manufacturing industry, create linkage effects and enhance competition in the domestic market</li> <li>• To stimulate demand for locally-manufactured products</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will provide incentives, including fiscal, and support to local manufacturing activities</li> <li>ii. Government will support the organization of events, including trade fairs, to promote locally manufactured products</li> <li>iii. Government will set up SME support centres (possibly, within an existing structure) to provide market information and targeted support to micro, small and medium enterprises</li> <li>iv. Government will encourage private sector to market local products</li> </ol>

### 3.7 Consumer Protection, Standards and Fair Trade

Consumer protection and standards (fair market practices, product safety and quality) complement product price and availability to ensure consumer satisfaction. Consumers must have the confidence that the market environment protects them from unfair practices (sale of defective products, short weight, and unfairly priced goods) and sale of unsafe products (dangerous content or poor handling). Moreover, it is important that the market has a level playing field (fair trade) and that no producers or consumers corner the market and reap excessive benefits. Fair trade enhances competition and lowers prices, but it also ensures that efficient producers make reasonable profits. However, the market can fail on its own to prevent unfair practices, weed out unsafe or poor quality products, or ensure fair trade.

#### 3.7.1 Consumer Protection

Policy context	The protection of consumers against unfair practices and unsafe products is a public good that the Government must offer, especially in a developing country like Sierra Leone where consumers are not well organized and illiteracy and poverty are prevalent. The situation has been made even more necessary by the Government's pursuit of trade liberalization and open market competition, which has resulted in an increased availability of different types of
----------------	--

	goods on the market, with a corresponding increase in risk of the sale or provision of spurious goods and services.
Policy Objectives	<ul style="list-style-type: none"> <li>• To protect the rights and well-being of the consumer</li> <li>• To ensure the health and safety of consumers</li> <li>• To ensure that consumers are treated fairly</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will develop and implement a consumer protection policy</li> <li>ii. Government will strengthen and enforce legislation against sale of unsafe and misrepresented products on the market</li> <li>iii. Government will establish mechanisms such as small claims court to handle consumer grievances and provide remedies</li> <li>iv. Government will support consumer associations to be effective</li> </ol>

### ***3.7.2 Access to Information***

Policy context	Asymmetrical access to information can lead to market failure because consumers require accurate and sufficient information on product content and quality to make informed choices.
Policy Objectives	<ul style="list-style-type: none"> <li>• To ensure consumers have adequate information on products</li> <li>• To ensure that consumers are not misled by inaccurate information, including false advertisement and mislabelling</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will ensure accurate labelling of products</li> <li>ii. Government will support and facilitate the implementation of advertisement code of practice</li> </ol>

### ***3.7.3 Consumer Representation***

Policy context	The participation of consumers in decisions affecting them ensures that their interests are well taken into consideration.
Policy Objective	To ensure that decisions on consumer issues take into consideration interests of consumers

Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will implement consumer awareness programmes throughout the country</li> <li>ii. Government will support consumer associations and their representation in relevant national bodies</li> </ul>
----------------------	---

### ***3.7.4 Consumption and Environment***

Policy context	Sustainable development, a factor in determining consumer welfare in the long term, depends on environmental protection, among others. However, environmental protection involves costs and trade-off with other economic interests and may require changes in consumption patterns. There is need to promote environmental protection and foster sustainable consumption.
Policy Objective	To foster sustainable consumption pattern by promoting environmental protection that contributes to sustainable development
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will sensitize the public on the importance of environmental protection</li> <li>ii. Government will encourage consumption patterns that do not destroy the environment</li> </ul>

### ***3.7.5 Development and Enforcement of Standards***

Policy context	The development and use of standards facilitates trade by raising the quality, reliability, safety, compatibility and effectiveness of products. Standards also enable markets to operate effectively, increase competition and provide opportunities for technology transfer. It also provides technical basis on which to anchor international agreements. By offering assurance that a given product, process or management system meets international requirements of quality and specifications, use of standards facilitates participation in international trade. Compliance with standards should not, however, impose undue costs or delays in production
Policy Objectives	<ul style="list-style-type: none"> <li>• To set and foster the use of standards that meet international requirements in product, process and management systems in order to enhance market</li> </ul>

	<p>efficiency and participation in international trade</p> <ul style="list-style-type: none"> <li>• To adopt, review strengthen, promote and enforce standards to ensure consumer protection, coordinate industry competitiveness and facilitate fair trade.</li> <li>• To ensure compliance with standards does not result in undue costs or delays</li> </ul>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will implement programs to raise awareness about the importance of consistently high quality, food safety, agricultural health and other standards</li> <li>ii. Government will provide standards laboratories with appropriate modern infrastructure and equipment</li> <li>iii. Government will ensure appropriate staff strength and skills mix of the Standards Bureau and Ministries, including the Ministries of Trade, Agriculture, Health, and Labour supporting standards development and enforcement, through recruitments, staff training and engagement of consultants.</li> <li>iv. Government will encourage and support regional cooperation in standards setting</li> <li>v. Government will put in place measures to enforce compliance with national standards</li> </ol>

### 3.7.6 Competition Policy

Policy context	<p>The benefits of trade liberalization on both production (improving efficiency and promoting innovation) and consumption (lowering prices and increasing quality and variety) are enhanced if all firms are operating on a level playing field. However, competition can be thwarted by collusion or mergers of a few large firms to set their own prices or rules of the game, while a firm can also use its dominant position to undercut prices, which is not unusual in Sierra Leone. The challenge of enforcing competition policy is also made complicated by the large number of informal sector traders. Sierra Leone faces the typical tension between the small (highly concentrated) number of competing firms and</p>
----------------	---

	<p>firms that struggle to reach minimum levels of efficiency and the large firms than can corner the market and reap unfair benefits. This constitutes a key consideration for the formulation and enforcement of an effective competition policy, which should not prevent mergers and concentration of firms seeking to increase efficiency, while at the same time not allowing firm concentration with the result of market dominant positioning.</p>
Policy Objective	<p>To prevent collusion or unfair trade practices, while encouraging small firms to enhance their ability to compete</p>
Policy Prescriptions	<ol style="list-style-type: none"> <li>i. Government will establish competition policy and regulations and ensure their effective enforcement</li> <li>ii. Government will a competition commission as well as improve its regulatory functions</li> <li>iii. Government will involve the private sector (producers and consumers associations) in monitoring unfair practices</li> </ol>

### ***3.7.7 Government Procurement and Provision of Public Services***

Policy context	<p>The Government is an important participant in the market: its procurement activities are important source of business for firms in the private sector; but the government also has monopoly in the provision of certain public services. It is important that the Government regulates and conducts its business in a transparent manner. The provision of public service should also be efficient and at fair prices to the benefit of consumers and private businesses.</p>
Policy Objectives	<ul style="list-style-type: none"> <li>• To ensure transparency and accountability in Government procurement and provide a level playing field for private sector suppliers</li> <li>• To provide public services efficiently and at fair prices</li> </ul>

	<ul style="list-style-type: none"> <li>• To combat corruption in Government</li> </ul>
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will publicise the rules and regulations of its procurement and will ensure that government procurements are widely advertised</li> <li>ii. Government will establish a professional procurement cadre within the civil service and strengthen the capacity of the National Public Procurement Authority to procure and deliver government needs in a quick and transparent manner</li> <li>iii. Government will ensure that its procurement activities are regularly audited.</li> <li>iv. Government will properly regulate and monitor provision of public services to ensure efficiency of delivery</li> <li>v. Government will improve governance and strengthen the enforcement of anti-corruption measures</li> </ul>

### 3.8 Protection of Intellectual Property Rights

Intellectual Property Rights allow owners of intellectual property (a term applied to a variety of intangible assets, such as musical, literary, and artistic works; discoveries and inventions; and words, phrases, symbols, and designs) to reap monopoly profits as a financial incentive for the creation of intellectual property, and to pay associated research and development costs. Intellectual property rights, therefore, drive innovation and development of new technologies to increase production, promote industrial and agricultural production and facilitate technological transfer. Internationally, IPRs are formulated within the framework of a number of organizations (including the World Intellectual Property Organization (WIPO), the African Regional Industrial Property Organization (ARIPO), and the World Trade Organization (WTO)) to which Sierra Leone is a member and should enforce its principles.

Policy context	The establishment of intellectual property rights represents a trade-off, to balance the interest of society in the creation of non-rival goods, that
----------------	---

	is goods for which one person's use does not diminish the ability to use by other people (by encouraging their production) with the problems of monopoly power and financial incentives to the owners. Intellectual property protection should contribute to technical innovation and the transfer of technology as well as innovations in local products and registration of herbal treatments. IPR procedures must be fair and equitable, and not unnecessarily complicated or costly. They should not entail unreasonable time-limits or unwarranted delays.
Policy Objective	To develop and enforce intellectual property laws towards encouraging innovation and technology development, while ensuring that their implementation is not costly
Policy Prescriptions	<ul style="list-style-type: none"> <li>i. Government will promote awareness on intellectual property rights</li> <li>ii. Government will develop and enforce appropriate intellectual property laws, including the WTO Trade-related Intellectual Property Rights (TRIPs), to encourage innovation and technology development.</li> </ul>

#### **IV INSTITUTIONAL ARRANGEMENTS AND CAPACITY BUILDING FOR IMPLEMENTATION**

The Ministry of Trade and Industry shall be responsible for the strategic management and coordination of the implementation of the Sierra Leone Trade Policy, working in partnership with a number of institutions across Government, the private sector and external organizations.

##### **4.1 Core Functions of the Ministry of Trade and Industry**

With regard to the implementation of the Sierra Leone Trade Policy, the core functions of the Ministry of Trade and Industry shall include:

- i. Coordinating and spearheading of implementation of all the aspects of the Trade Policy;

- ii. Providing policy guidance and supervision to affiliated institutions such as the SLIEPA for service delivery;
- iii. Coordinating the development of a Trade Support Program that reflects the policy objectives and prescriptions of the Trade Policy,
- iv. Coordinating formulation of Annual Implementation Plans for the Trade Support Program, reflecting appropriate sequencing of the implementation of the Program, and ensuring that trade policy remains an integral component of national development plans;
- v. Mobilizing resources for implementation of the Trade Support Program; and
- vi. Monitoring and evaluation of the overall performance of the trade sector

## **4.2 Partnership for Implementation of the Trade Policy**

4.2.1 The Government acknowledges that current architecture of trade policy making requires intense consultations among several ministries and stakeholders if coherent positions are to be developed. Therefore, the Trade Policy will be implemented through strengthening partnerships.

**4.2.2 Collaboration Across Government:** The Ministry of Trade and Industry shall collaborate with relevant Ministries, including the Ministry of Finance and the National Revenue Authority for issues of tariffs and customs; Ministry of Justice and the Law Reform Commission for legal and judicial matters and reforms; the Ministry of Foreign Affairs for trade negotiation and representation; the Bank of Sierra Leone for financial services and access issues; the Standards Bureau for issues of standards development and enforcement; the Ministry of Local Government for district level matters; and various technical ministries responsible for such areas as agriculture, fisheries, mining, labour, lands, and tourism; and other ministries and agencies dealing with the regulation of service sectors such as immigration, telecommunications, and transport. Both the Ministry of Finance and the Bank of Sierra Leone also have economic policy research capacity which will be tapped.

**4.2.3 Collaboration with Private Sector and Civil Society:** The Ministry of Trade and Industry shall also collaborate with such private sector institutions as the Chamber of Commerce, Industry and Agriculture, the Chamber of Mines; various umbrella trade, producer and consumer associations. The Ministry will also promote policy-relevant research through collaboration with the university and research centres to build public understanding of and support for action on key trade issues.

**4.2.4 Collaboration with External Partners:** The Ministry will also collaborate with external partners (such as the ECOWAS and its specialized institutions, the African Union, the African Regional Industrial Property Organization (ARIPO), the World Trade Organization, the World Intellectual Property Organization (WIPO), and other UN specialized bodies, the World Bank, the African Development Bank and other international financial institutions, as well as bilateral trade agencies) to implement the policy, including mobilizing resources and building necessary capacity.

**4.2.5 Coordination of Arrangements:** The Ministry has recently established the National Coordinating Committee on Trade (NCCT) as a forum for the discussion of trade policy issues. The Committee comprises all relevant ministries as well private sector and academic groups. The NCCT and its subcommittees, established to oversee various aspects of the trade negotiation and implementation, will be strengthened. In particular, the sub-committees, currently set up according to areas of negotiation such as WTO, ECOWAS, AGOA, EPA, and NEPAD, will be restructured on the basis of trade issues such as market access for goods and services, intellectual property rights, standards, subsidies, trade remedies, and dispute resolution for coherence and to facilitate using trade negotiations to advance the country's trade policy and trade-related strategies.

### **4.3 Capacity Building**

The Ministry of Trade and Industry is undergoing restructuring. It will be reinforced with appropriate staff skills-mix and numbers to facilitate implementation of the Policy. Moreover, a trade data base will be established to provide an accurate picture of trade or the other economic variables which must inform trade (and industry) policy. The capacity of the other ministries and agencies involved in implementation of the policy will also be strengthened. Capacity of relevant private sector associations will also be strengthened to facilitate involvement in the implementation of the trade policy.

## **V CONCLUSION**

The Trade Policy will facilitate consistency and coherence in government policy in the trade sector and will guide actions and programs regarding the sector. It also provides indication to private sector operators – producers and traders – regarding the context, objective and direction of government actions in the sector. It will also serve as a basis of dialogue and negotiation with

external partners. The Policy will be complemented by a Trade Support Program, outlining projects that will be developed and implemented to concretize the policy prescriptions.