

**TRADE POLICY REVIEW**

**Report by**

**SIERRA LEONE**

**Revision**

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Sierra Leone is attached.

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Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Sierra Leone.



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## Introduction

1. Sierra Leone has progressed considerably since the end of the civil war that devastated the economic, social, and physical infrastructure within the country. Since January 2002 when peace was restored, the Government of Sierra Leone has worked tirelessly to consolidate peace throughout the country. The security sector is coordinated by the Office of National Security (ONS) and consists of the Sierra Leone Police (SLP) and Republic of Sierra Leone Armed Forces (RSLAF) which are supported by the United Nations Mission in Sierra Leone (UNAMSIL) and the International Military Advisory and Training Team (IMATT). See Appendix A.

2. Sierra Leone's development policy, set out in the National Recovery Strategy (NRS), is captured in VISION 2025 with the view of a "United People, Progressive Nation, Attractive Country". Sierra Leone's economic outlook since 2002 has improved significantly. Economic growth has been built upon the strong foundations put in place by the completion of the disarmament and demobilization programme, the peaceful election and the resettlement of Internally Displaced Persons (IDP). There is now the free movement of goods and services throughout Sierra Leone, which has resulted in linking previously isolated internal markets. The effect is greatly improved resource allocation, beneficial development and growth opportunities. Nevertheless, in 2004 Sierra Leone was ranked last in the United Nations Human Development Index<sup>1</sup> for the third year in a row.

3. In the 1990's, despite macroeconomic reforms and support from development partners the economy contracted by 4.6% annually. In 2003 GDP growth was 9.4%. Growth for 2004 is expected to be 7.4% and is projected to remain robust at 6.0-7.0% through to 2007. The Poverty Reduction Strategy Paper for Sierra Leone is expected to be finalised early 2005 and builds on the I-PRSP and the NRS and fully commits Sierra Leone to poverty alleviation and the Millennium Development Goals, which are to be attained under sustained economic growth.

4. A key feature of the government's efforts to increase and sustain growth rates is through the establishment of a liberalised trade regime, which now exists in Sierra Leone. A fundamental aspect of this is private sector development, which recognises the government's role in creating an enabling environment for business. The recently enacted Investment Promotion Act 2004 will greatly improve the environment for the private sector in Sierra Leone, as will the planned legislative reform to support further liberalised trade. Moreover, the privatisation and divestiture of public enterprises is underway, with 24 enterprises considered under the second phase of the privatisation programme which is due to be completed in December 2006.

5. In 2000, the Anti-Corruption Commission (ACC) was established to eradicate corruption in the public and private sectors. The Government of Sierra Leone maintains a zero tolerance approach to corruption.

### 1. Economic Performance and Outlook

6. Sierra Leone is a small open economy that has suffered prolonged deterioration, principally due to the decade long civil war, and an accompanying low standard of living despite its significant resource endowments. Hence the economy is largely transitional. At present, the economy is characterised by narrow production and export bases, poor human resource development and chronic structural rigidities.

7. The general economic policy is to promote a stable macroeconomy, thus ensuring an economic recovery and reversing the trend of economic decline caused by the poor security situation.

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<sup>1</sup> UNDP (2004), Human Development Report.

The main objectives of the macroeconomic framework have been to significantly reduce and maintain a low inflation rate, while allowing for the recovery of economic activity and accumulation of gross external reserves. In maintaining a stable macroeconomic environment, poverty reduction and long-term development issues are the government's priorities.

8. The National Recovery Strategy (NRS) has been used in parallel with the I-PRSP, with four priority areas of intervention: restoration of State authority; rebuilding communities; peace-building and human rights; and the restoration of the economy<sup>2</sup>. In 2001 Sierra Leone prepared an Interim Poverty Reduction Strategy Paper (I-PRSP) and the full PRSP is expected at the end of 2004. The PRSP builds upon the foundations laid in the I-PRSP and the NRS and is a holistic approach that will provide the framework for domestic policies and programmes that will reduce poverty in Sierra Leone.

### 1.1. General Macroeconomic Environment

9. Macroeconomic stability has been maintained while the peace process consolidated. In 2003, real Gross Domestic Product (GDP) growth was 9.4%. It is expected to drop to 7.4% in 2004. Projections<sup>3</sup> for 2005 to 2007 expect that real GDP growth continues to increase by 6-7%. Growth was generated in the recovery of activity in the agricultural sector, expansion in diamond production, modest growth in manufacturing output and construction.

10. The Government is committed to maintaining price stability so that the country will benefit from a stable and competitive exchange rate and further cuts in nominal interest rates. However, the annual inflation average has increased in the past couple of years. From an inflation rate of 34.1% in 1999 at the height of the rebel war, Sierra Leone went through a period of negative inflation in 2001 (-3.2%). The depreciation of the Leone to the dollar and the increase in the cost of fuel were the basis of the inflation increase of 7.6% in 2003. It is projected that continued fuel price increases, an expansionary monetary policy (partly owing to delays in donor support) and a depreciation of the exchange rate will increase inflation to 13.6% in 2004. Inflation is projected to average 8.5% in 2005, 6% in 2006 and 5% in 2007.

11. The exchange rate regime is determined by the market based on weekly foreign exchange auctions conducted by the Bank of Sierra Leone. The spread between the official and parallel market exchange rates remained stable within a range of 8-9.0% in 2003. In the medium term, an interbank system of exchange rate determination is expected. Interest rates were stable for the first nine months of the year but rising inflation and a constant nominal rate caused a decline in the real interest rate. The real interest rate at the end of 2003 was 8.9%. The main instruments used by the Bank of Sierra Leone for monetary control and domestic liquidity management are the weekly auctions of treasury bills and government securities. The Bank is expected to introduce a wider range of securities<sup>4</sup> to strengthen its monetary operations shortly.

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<sup>2</sup> Programmes under the National Recovery Strategy included: increase in the number of police officers, rehabilitating schools, health centres, roads and prisons, appointing Justices of the Peace, repatriation and resettlement of IDPs, reintegrating ex-combatants, improving access to safe drinking water and sanitation, and setting benchmarks for priority food and cash crops.

<sup>3</sup> Draft PRSP (2004)

<sup>4</sup> Securities repurchase agreements (repos) and a dematerialized form of government securities are to be introduced before the end of 2004. An electronic book entry system, Clearing House and an efficient payments system are also to be established.

## 1.2. Public Finance

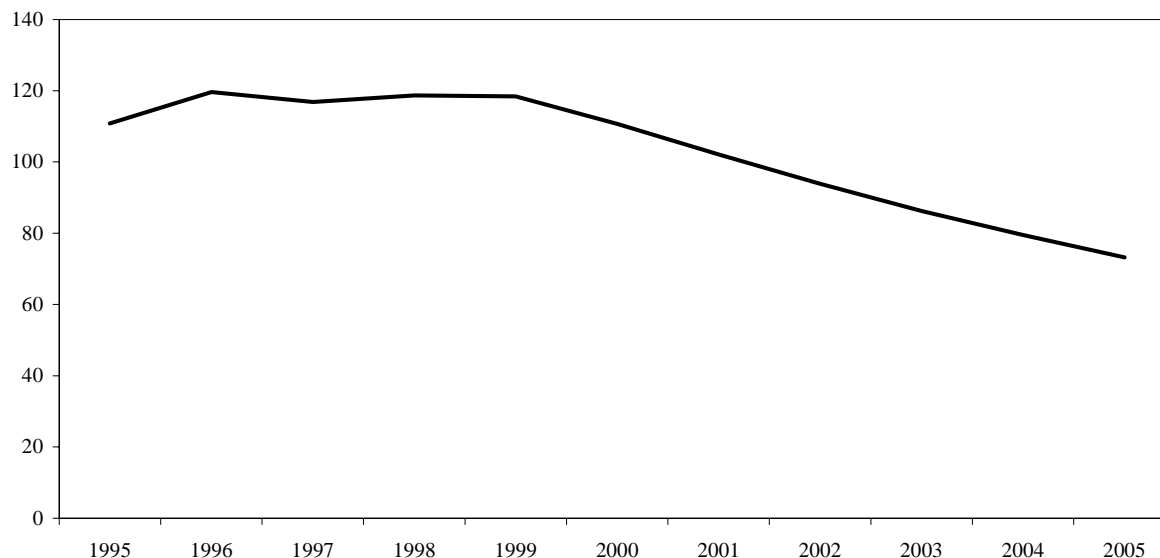
12. The maintenance of strict fiscal discipline is the prime focus of fiscal policy in the medium term. Fiscal policy is driven by measures to rationalize the tax system and strengthen control over spending while reorienting expenditures towards poverty reduction. Revenue enhancement, improved expenditure management and control systems, and phasing out of bank financed budget deficit will contribute to continued macroeconomic stability.

13. Domestic revenue in 2004 increased to an expected Le354.4 billion (equivalent to 12.4% of GDP) from Le283.7 billion in 2003. Domestic revenue as a percentage of GDP is expected to increase to 13.0% of GDP in 2005, 14.6% in 2006 and 15.7% in 2007. Grants were estimated at Le274.7 billion in 2004 (equivalent to 9.6% of GDP) and are expected to fall to 7.1% of GDP in 2007.. Total expenditure and net lending for 2004 is estimated at Le737.7 billion, equivalent to 25.8% of GDP, of which Le173.8 billion (6.1% of GDP) is for wages and salaries and Le189.8 billion (6.6% of GDP) is for goods and services. Development expenditure is estimated to be Le196.6 billion (equivalent to 6.9% of GDP), this is projected to rise to 10% of GDP in 2005.

14. In 2004, the overall deficit, excluding grants, was Le383.3 billion or 13.4% of GDP, this decreased from 19.7% of GDP in 2003 and is expected to decline further by 5.7% of GDP in 2007. The overall deficit, including grants, was Le108.6 billion or 3.8% of GDP. Gross foreign reserves of the Bank of Sierra Leone were at the equivalent of 2.0 months of import at the end of 2004. At the end of 2003 and 2002 there was the equivalent of 1.5 and 2.4 months of import cover respectively. By 2007 the reserves are due to rise to the equivalent of at least three months of import cover.

15. At the end of 2003 the total debt owed to official bilateral creditors was US\$437.6 million, of which US\$373.0 was due to Paris Club creditors. The debt service burden was reduced as the Government signed various debt-rescheduling accords. Validated commercial, short-term, and military debt amounted to US\$253.3 million. Sierra Leone reached the decision point under the enhanced Highly Indebted Poor Countries (HIPC) Initiative in 2002. Figure 1.1 shows the Debt to GDP ratio for the period 1995 to 2005 (2004 and 2005 estimates). The high over this period was in 1996 where the ratio was 119.6%. The ratio has been falling since 1998 and is currently 86.2% (2003), this is expected to be further reduced to 73.2% in 2005.

Figure 1.1: Debt to GDP Ratio, 1995 to 2005



Source : Ministry of Finance, Economic Bulletin.

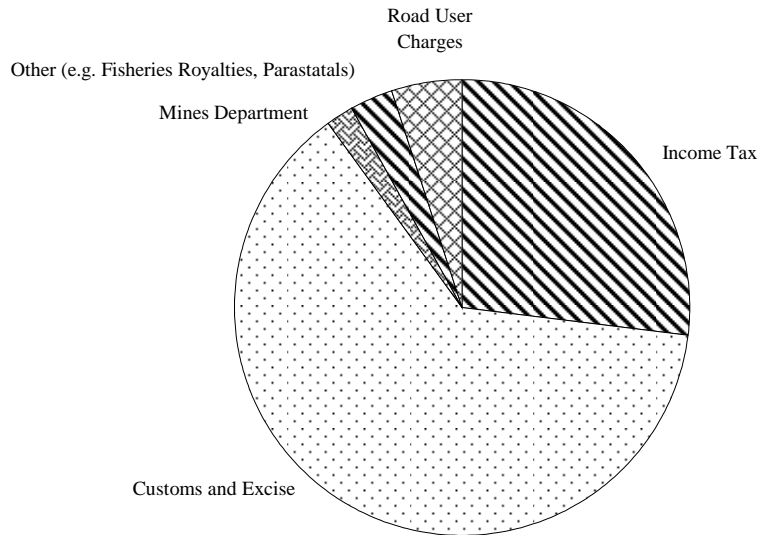
16. The National Revenue Authority (NRA) has been recently established as an autonomous body whose principal goal is to increase national revenue collection on a sustainable basis. There are three main revenue-generating authorities; the Income Tax Department; the Customs and Excise Department; and the Gold and Diamond Department. The Customs Department of the NRA will soon adopt a work plan for the introduction of the WTO valuation rules, including a study of the revenue implications, legislative and training needs, and detailed valuation instructions. Customs valuation procedures will be reviewed and the Automated System for Customs Data Management (ASYCUDA) will be established. In an attempt to widen the tax base the government will introduce a Value-Added Tax (VAT) by June 2007.

17. The Medium Term Expenditure Framework (MTEF) budget and Public Expenditure Tracking Survey (PETS) are in place and the new Government Budgeting and Accountability Act will improve the effectiveness and governance of the budget process<sup>5</sup>. Public expenditures are to be re-orientated in favour of development expenditure and items such as security, social services, infrastructure and economic activities thus creating an attractive climate for investment, job creation and to improve the quality of life of citizens of Sierra Leone.

<sup>5</sup> The Government Budgeting and Accountability Act, 2004 was gazetted on the 19<sup>th</sup> August 2004

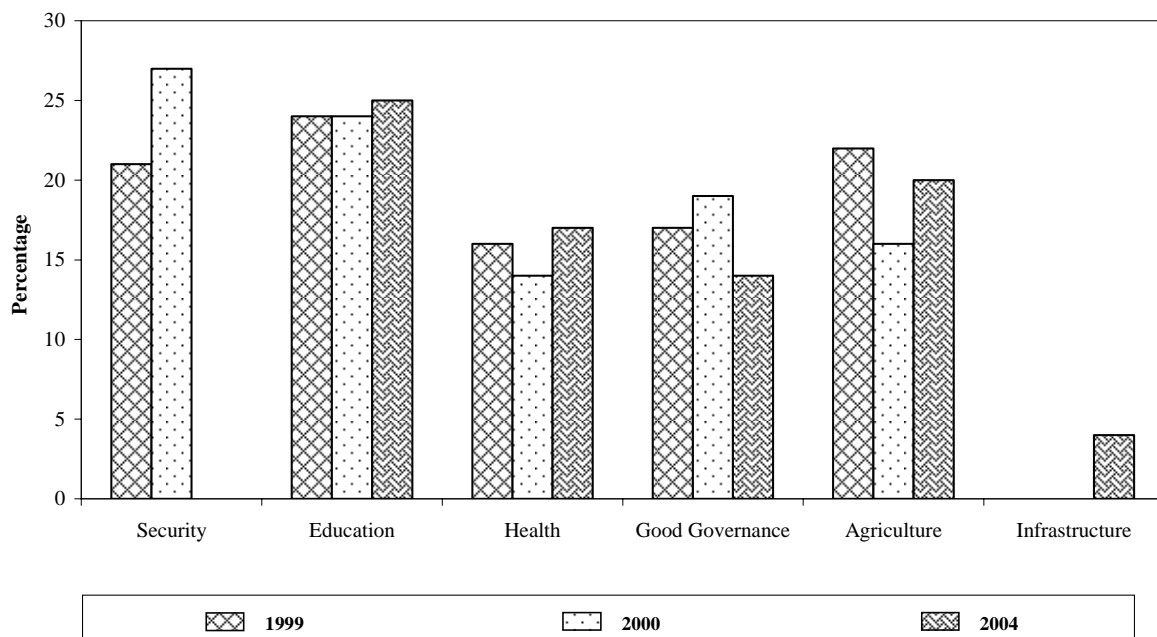


**Figure 1.2: Domestic Revenue, 2004**



Source : Ministry of Finance (2004b).

**Figure 1.3: Priority Sectors for Expenditure, 1999, 2000 and 2004**



Source : Draft PRSP (2004).

### 1.3. Sector Analysis

18. The key economic sectors in Sierra Leone are the agricultural and mining sectors. Manufacturing plays a minimal role. In terms of overall employment the government is the largest employer, employing up to 30% of the labour force.

#### 1.3.1. Agriculture

19. At present agriculture accounts for around 60-70% of total employment but generates a share of only about 10% to 50% of the GDP. Crop production is mainly at subsistence level and over 60% of production does not reach the monetised market. 60% of the population has smallholdings of less than 2 hectares per farm family and 75% of the population has a farm of less than 3 hectares. The low level of food production, exacerbated by the civil conflict continues to be below self-sufficiency. The government has a strategy for the attainment of food security for the entire population by 2007. The continued decline in agricultural outputs has impacted negatively on food prices and real incomes. The costs of basic food items rose more than four fold between 1991 and 2002. The critical food supply situation has further impoverished vulnerable groups, especially the rural poor, low income urban families and small scale farmers.

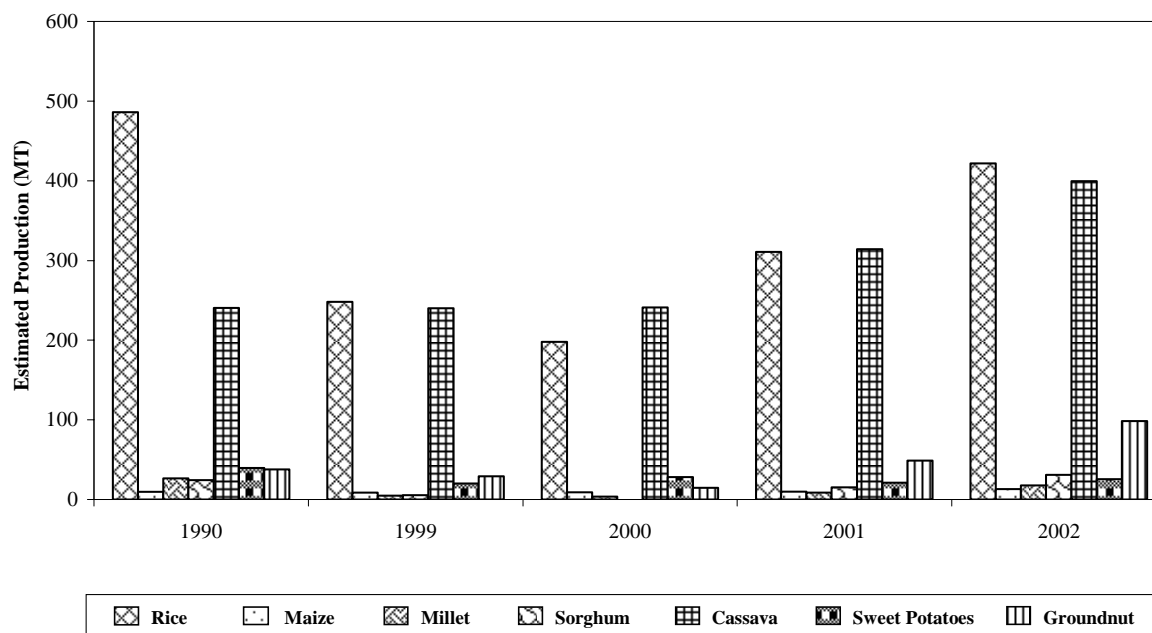
20. Cereals production in Sierra Leone constitutes only 37% (excluding imports) of the annual national requirement<sup>6</sup> of cereal consumption. If imports are included then 63% of the requirement is met. Some improvements in crop production have occurred since the devastating reductions during the war. The recovery in food production is partly due to the fact that returnees have resumed farming activities in their resettled communities. Crops such as cassava, sweet potato and groundnuts are also recovering after the massive decreases in production during the civil conflict. Despite this the most important food crop, rice, was below the pre-war level in 2002/3.

21. Total agricultural exports have increased from US\$ 0.31 million in 2001 to US\$ 2.66 million in 2003. The major agricultural exports are coffee and cocoa. Coffee rose from US\$ 0.2 million to US\$ 0.4 million and cocoa from US\$ 0.27 million to US\$ 2.59 million. The other exports include piassava and ginger but their export levels are minimal to date.

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<sup>6</sup> FAO/MAFFS (2003), the requirement is estimated at 626,704 tonnes of cereals. This is calculated based on a per capita consumption of 104 kg of cereals and an estimated population of 5.24 million.

Figure 1.4: Estimated Production of Food Crops, 1990, 1999-2002



Source : FAO/MAFFS (2003).

### 1.3.2. Mining

22. Diamond exports have increased substantially since 2000. In 2001, diamond production was 224.3 thousand carats; this increased to 351.9 thousand carats in 2002, to 506.8 thousand carats in 2003 and to 691.8 thousand carats in 2004. The total value of diamond exports, to the end of December 2004, was US\$125,652,634.26. However, the rutile and bauxite mines are yet to restart operations. The total revenue<sup>7</sup> received by the government for diamond exports, up to the 22<sup>nd</sup> September 2004 was US\$ 3,214,393. Sierra Leone was among the first fifty countries that embraced and implemented the Kimberly Process Certification Scheme on 1<sup>st</sup> January 2003.

### 1.3.3. Manufacturing

23. The manufacturing sector is still recovering since the war and in the last few years has had mixed results. The manufacturing base is still narrow with a concentration on a few commodities, namely: beverages, plastics, paints and cement.

## 1.4. Privatisation Process

24. The National Commission for Privatisation (NCP) is implementing the second phase of the country's privatisation programme. This covers 24 enterprises and is to conclude at the end of December 2006. The total financial cost for this phase is US\$ 13 million. The enterprises cover utilities, financial institutions, transport and shipping, agriculture and manufacturing sectors. These

<sup>7</sup> Artisanal mining is subject to 3% export duty while Kimberlite mining has a 5% royalty fee and 0.5% valuation fee.

include the water and electricity utilities and commercial banks. The full register of enterprises is listed in Appendix B.

25. In the early 1990's there were 44 public enterprises (defined as a majority and minority state-owned) which were engaged in many sectors of the economy. The 1993 Public Enterprise Reform Act divested 14 of these enterprises. However, the largest of the enterprises remain under government control. As a general rule, non-essential assets will be isolated and sold-off. Loss-making enterprises will be sold outright. The NCP will institute efficiency measures for utilities in the short term while the legal, organisational, managerial and financial aspects are being restructured in preparation for their sale. Efforts are being made to establish a Stock Exchange, which will assist in the privatisation efforts.

## **2. Trade Environment**

26. The paucity of data is a considerable constraint on policy formulation and planning in Sierra Leone. The problem is particularly evident with regard to trade statistics. The development of detailed trade statistical collection and analysis is urgently required. Within Statistics Sierra Leone (the lead body for the compilation of general statistics), the Foreign Trade Statistics section compiles data on trade statistics.

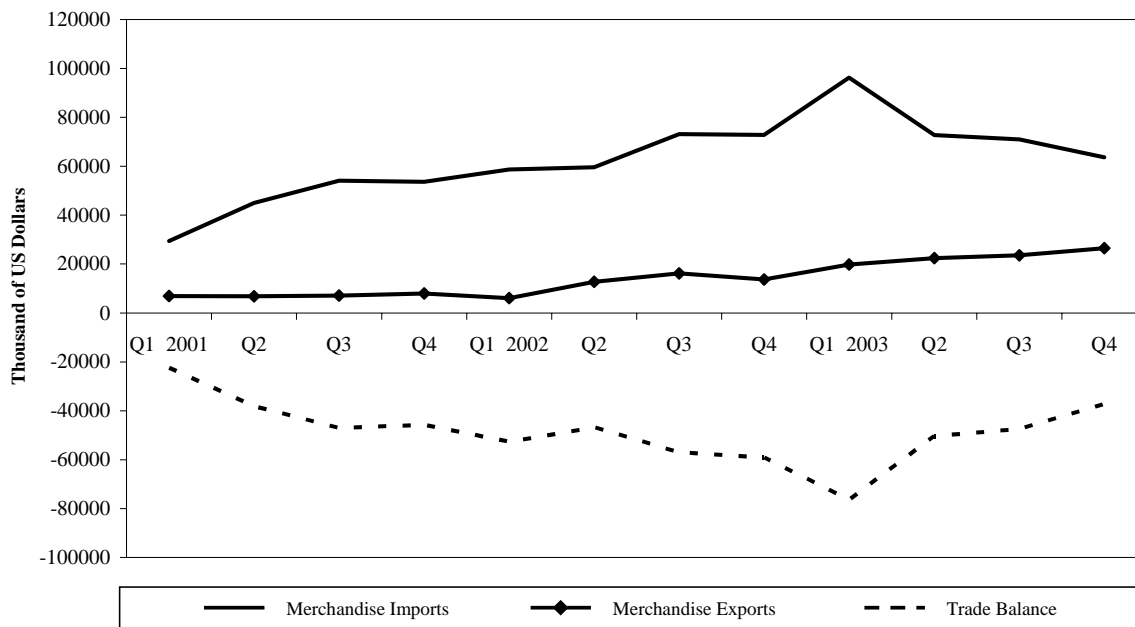
27. The difficulties with trade analysis are complicated by inconsistent product nomenclatures in the customs tariff. However, the Customs Department of the NRA will soon adopt a work plan for the introduction of the WTO valuation rules, including a study of the revenue implications, legislative and training needs, and detailed valuation instructions. Customs valuation procedures will be reviewed and the Automated System for Customs Data Management (ASYCUDA) will be established.

### **2.1. Current Trade Position**

28. Sierra Leone's trade balance has deteriorated in the past few years in total value and also in terms of GDP. The trade balance has recovered from minus US\$ 153.3 million in 2001 to minus US\$ 211.3 million in 2003, equivalent to 11.5% of GDP. The total value of the trade position has increased by 37.8% from 2001 to 2003. Figure 2.1 shows the trade balance by quarter from 2001 to 2003. The steady increase in the trade balance can be seen until the first quarter of 2003. The trade balance has fallen rapidly since this point, reversing the trend of the previous quarters and the final quarter of 2003 was the lowest quarterly trade balance since the first quarter in 2001. The spike in 2003 Q1 is principally due to a large increase in the import values of mineral fuels, lubricants and manufactured goods.

29. Merchandise imports have risen steadily since 2001, from US\$ 182.2 million to US\$ 303.7 million in 2003; an increase of 66.7%. Since then there has been a decline. Since 2001 merchandise exports have increased in every quarter except two. In 2001, merchandise exports were valued at US\$ 28.9 million, and they increased by 219.8% to US\$ 92.3 million in 2003.

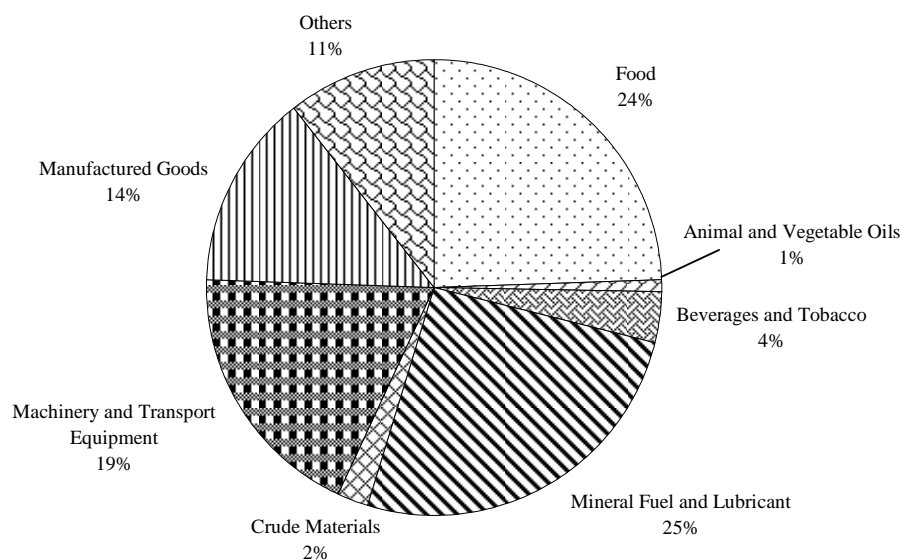
Figure 2.1: Trade Balance, by Quarter, 2001 to 2003



Source: Ministry of Finance (2004a).

30. Figure 2.2 shows the breakdown of the value of merchandise imports by sector. The total merchandise imports in mineral fuel and lubricants is the greatest import, accounting for 25.8% of total imports and a value of US\$ 78.2 million, this has increased by 80.9% since 2001. The second largest imported product is food, which represents 24.5% of the total imports, a value of US\$74.5 million. Rice accounts for 36.7% of food imports, i.e. 9.0% of the total value of merchandise imports.

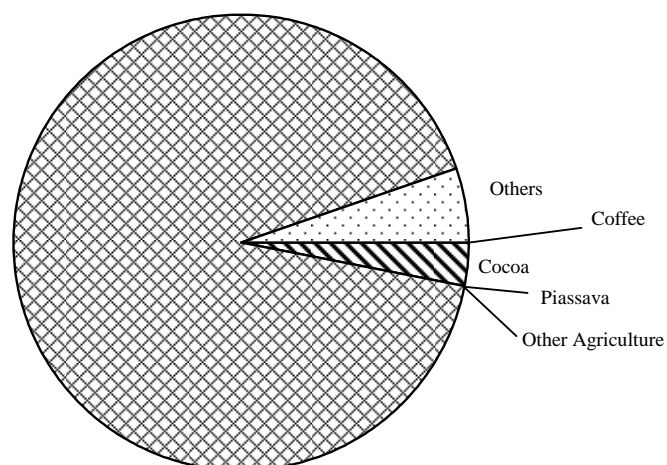
**Figure 2.2: Merchandise Imports, 2003**



*Source:* Ministry of Finance (2004a).

31. Figure 2.3 shows domestic exports by product for 2003. The total value of domestic exports was US\$ 92.3 million in 2003, out of which the value of diamond exports was US\$ 76.7 million, accounting for 91.5% of total domestic exports. The value of diamond exports was US\$ 98.7 million in 2004.<sup>8</sup> Export volume has increased, as a result of diamond exports almost doubling during the first three months of 2003 compared to the same period in 2002. Diamond exports have increased rapidly in the first three quarters of 2004. At the same time, there has been a revival in cocoa and coffee crops for export; cocoa rose from 0.34 to 2.75 thousand metric tons and coffee rose from 0.52 to 0.54 thousand metric tons. Sierra Leone's largest import trading partner in 2003 was the European Union, closely followed by the ECOWAS region.

<sup>8</sup> Up to the 22<sup>nd</sup> September 2004

**Figure 2.3: Domestic Exports, 2003**

Source: Ministry of Finance, Economic Bulletin.

## 2.2 Trade Policy

32. In developing its comprehensive trade policy, Sierra Leone will seek a balance between its internal needs and its external obligations. The main objectives of the policy will include:

- Encouragement of a robust and competitive private sector for employment generation and wealth creation;
- Development of value-added chains in the production of quality products, and in the use of raw materials;
- Development of a vibrant and innovative service sector;
- Reduction of import dependency and enhancement of foreign exchange
- Compliance with international agreements including the WTO

33. The Ministry of Trade, responsible for trade policy formulation and implementation of WTO agreements, is gradually implementing programmes to enhance its technical capacity to formulate policy and comply with its international obligations, through targeted technical assistance from development partners. As a start to the process of trade policy formulation, and in an effort to increase policy coordination, a National Coordinating Committee on Trade (NCCT) was established in May 2004 and has convened four times to date. Membership consists of senior management personnel from line ministries, other agencies of government, academia and the private sector. The NCCT brainstorms on policy issues, ensures active policy coordination, and provides strategic direction on negotiation positions in various regional and international processes.

### **2.3. Legislative Reform**

34. Legislative reform to support implementation of trade policy is gradually taking place, under the stewardship of the Law Reform Commission. A Partnership Law and a review of the commercial use of land have been completed. The Law Reform Commission will shortly start work on a company law. The Government of Sierra Leone also intends to develop policy and laws on competition and protection of intellectual property rights.

35. Administrative reform is well underway with the government committed to focusing on the provision of services only where the private sector capacity does not exist and to strengthening public expenditure management and the capacity for service-delivery. A review of the Senior Civil Service and pay structure is also progressing. A new procurement law, The Public Procurement Act 2004, is applicable to all central government ministries, departments, commissions, agencies and local authorities and will regulate public procurement of goods, works, intellectual services, and other services

36. Decentralisation is a key feature of our development programmes, with the Local Government Act 2004 devolving powers to the District Councils. Central to this effort is building the capacity of these local government bodies for effective service delivery.

### **2.4. Regional Integration**

37. Sierra Leone is a member of two regional economic groupings: the Economic Community of West African States (ECOWAS), and the Mano River Union (MRU). In addition the country is a member of the African Union (AU), and the New Economic Partnership for African Development (NEPAD).

38. Sierra Leone is gradually adjusting its tariffs towards the agreed Common External Tariff (CET) of ECOWAS to achieve tariff harmonization by January 2008. Parliament has ratified the West African Monetary Zone (WAMZ) and the West African Central Bank (WACB) Statutes. Progress in convergence by member countries is accelerating the integration within the second monetary zone and the planned introduction of a single currency by 1<sup>st</sup> January 2008.

39. With the rise of civil conflict in two of the countries of the MRU (Liberia and Sierra Leone), little progress has been made in the areas of trade promotion, trade liberalisation and tariff reduction or harmonization within the group. However, Sierra Leone remains committed to the objectives of the MRU of lasting peace, freedom and social progress among the three countries.

40. The government of Sierra Leone views as significant the elaboration of the NEPAD and its peer review system within the African Union, aimed at bringing about economic and governance reforms that will foster development and reduce poverty. Sierra Leone remains committed to the objectives of the AU and NEPAD and will continue to participate in these efforts within its capabilities.

## **3. Investment and Private Sector Development**

41. The government is committed to creating an enabling environment for private sector growth and competitiveness.



### 3.1 Private Sector Development

42. The private sector is to assume the lead in developing the post-war economy with the government fully committed to supporting private sector development (PSD) so that the private sector will become the “engine of growth” for Sierra Leone. A vibrant private sector is critical to economic growth, income generation, employment and ultimately, poverty reduction.

43. PSD is a key facet of Vision 2025 where a competitive, fast growing and liberal economy led by the private sector is envisaged. The private sector can substantially assist in building capacity and capability of Sierra Leoneans, since we recognise that poverty eradication is only possible under PSD and sustained economic growth

44. Since 2000 the Government of Sierra Leone has been promoting a policy environment that is pro-business, encourages individual efforts and drives innovation. The Government is providing support to the development of small and medium sized enterprises through the provision of micro-finance and reactivating centers for skills training.

45. The Standards Bureau has been strengthened and Sierra Leone standards are to be exclusively based on international standards. Testing, calibration and certification is carried out twice a year and this is confirmed subsequently by controlled inspection to ascertain that the integrity of certified instruments is maintained. All Codes of Practice and standards developed so far are mandatory. The Standards Bureau has been designated as the National Enquiry Point for all matters addressing technical barriers to trade, and sanitary and phyto-sanitary measures.

46. The government encourages the local processing of traditional and non-traditional exports such as cotton, coffee, cocoa, ginger, cashews to create linkages between primary production, manufacturing and value-addition to the manufacturing/production process. Support for small and medium enterprises is vitally important for such schemes. In addition, studies will be conducted to identify clusters of potential competitive advantage and separately to conduct a comprehensive administrative barriers (cost of business) survey. The establishment of export processing zones will provide the foundation for further industrial production.

47. Awareness overseas of business and investment opportunities in Sierra Leone is to be heightened by increasing capacity in foreign missions and embassies, the re-establishment of Permanent Trade Missions and Trade Attaches and by promotional campaigns.

48. PSD opportunities will increase as constraints to business are removed. The Government of Sierra Leone is committed to improving the effectiveness, stability and efficiency of the financial sector, streamlining bureaucratic procedures for business registration, and reviewing and improving the legal and regulatory framework. The fiscal incentive framework will be rationalised, including, lowering of import duty rates, elimination of export duties and introduction of a duty suspension scheme for exports, and a reduced corporate tax rate.

### 3.2. Investment Promotion Act

49. A principal step in enabling a supportive environment for private sector development is the implementation of the Investment Promotion Act 2004. The Investment Promotion Act provides the legal, economic and financial framework for investment and will provide incentives for investors who contribute to the realisation of the major objectives of the country’s national development plans and programmes. Sierra Leone provides an attractive place for investment with protections and guarantees, and has rich human and material resource potential.

50. The design for investment in Sierra Leone is to foster an investor friendly country with the unhindered transfer of capital and avoidance of any policy of nationalisation or expropriation. The government intends to reduce dependence on aid and concentrate instead on trade and investment. This will result in sustainable economic growth, technology transfer, increase in value-added productivity and an enhancement of entrepreneurship through private sector initiatives.

51. The government's role is to improve the existing business conditions of entrepreneurs whilst attracting new investors. The Government of Sierra Leone will continue to support these efforts and take steps to address issues of growth, competition, private sector development, public service reform, capacity building, infrastructure development, poverty reduction, good governance, primary health care and sanitation problems, education and food self-sufficiency.

52. Sierra Leone provides great opportunities for export and investment under the following:

- United States African Growth and Opportunity Act (AGOA), which accords market access and duty free concessions for a number of products;
- The Everything but Arms (EBA) Initiative under the Cotonou Agreement with the European Union;
- New Partnership for African Development (NEPAD), as well as other economic groupings such as ECOWAS and the MRU.

53. The Investment Promotion Act encourages domestic and foreign investors to invest in any legitimate form of business. The Act streamlines the incentive system and the tax code is rationalized to include lower duty rates on import of raw materials and capital goods. There is provision of a more generous depreciation schedule; the introduction of a duty-suspension system for import of raw materials for value-added exports; the elimination of export taxes for exports; and reductions in corporate tax.

54. Under the Act a government entity, the Sierra Leone Export Development and Investment Corporation (SLEDIC), will operate as a "One-Stop Shop" to, *inter alia*: facilitate the registration of business enterprises, assist investors in obtaining permits, licenses, certificates or clearances, provide information to potential investors on matters relating to investment and assist potential investors in identifying joint venture partners in Sierra Leone. SLEDIC has the responsibility of facilitating investments and receipt of requests from persons seeking assistance to invest in the country.

55. The Act ensures that the remittance of profits, after taxes, earned by a foreign investor from a business enterprise, is guaranteed in line with current international practice. Expatriate personnel with work permits are permitted to make remittances abroad through their commercial banks<sup>9</sup>. The Investment Act guarantees against expropriation or nationalisation in a direct or indirect manner<sup>10</sup>. No export licence is required for the export of locally produced goods except gold and diamonds.

#### **4. Sierra Leone and the World Trade Organisation**

56. Sierra Leone was an original GATT contracting party, and became a member of the WTO in July 1995 at the conclusion of the Uruguay Round, and the entry into force of the WTO Agreements on 1<sup>st</sup> January 1995.

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<sup>9</sup> Subject to such withholding tax obligations as contained in the Income Tax Act 2000, if applicable.

<sup>10</sup> Except in special cases specified by Section 21 of the Constitution. Prompt and adequate compensation would be paid in the event of any expropriation or nationalisation.

57. Sierra Leone's participation in the multilateral trading system has always been constrained by her available technical and financial resources. The country's nearest mission responsible for WTO matters is in Brussels, which also covers the relationship with the European Union. The mission is small and its limited human resources are fully stretched by the heavy workload of the EU and WTO activities. However, since the Singapore Ministerial Conference in 1996, Sierra Leone has done its best to participate in each WTO Ministerial Conference, with the assistance of development partners. Sierra Leone's effective participation in the day to day activities of the WTO, however, remains a challenge.

58. Nevertheless, Sierra Leone is strongly committed to a multilateral trading system which is fair, rules-based and which achieves a balance between the rights and obligations of all its members. The government of Sierra Leone participated in the General Council meeting of 27-31 July 2004, and joined the consensus on the General Council Decision of 1st August 2004 on the Doha Work Programme.

59. Sierra Leone has recently become the subject of a technical review under the process of the Integrated Framework (IF), which will determine the country's eligibility to join other countries in the IF. The government of Sierra Leone considers that our participation in the IF programme will enhance our domestic efforts at mainstreaming trade more effectively into our development process. It will further assist Sierra Leone in its endeavor to integrate itself better into the multilateral trading system.

#### **4.1 Implementation of WTO Agreements**

60. The problems with representation and participation in Geneva are also mirrored at the domestic level in implementation of the agreements, including notification and other compliance requirements. After a decade of civil conflict, Sierra Leone's institutions are considerably weakened, and lack the capacity to appropriately implement the WTO Agreements, in a manner which supports Sierra Leone's development aspirations. In addition, many of the WTO Agreements, such as the TRIPs Agreement and the Customs Valuation Agreement, in addition to the legislative reforms, imply substantial administrative and procedural changes, which cause considerable financial burdens to small least developed countries like Sierra Leone. Moreover, the ramifications of the single undertaking were not immediately realized by the government at the time Sierra Leone joined the WTO.

61. In Sierra Leone, government institutions, the private sector and the general public are unaware of the nature of the multilateral trading system and the role of trade in economic development. This lack of understanding by and large explains why action has been limited with regards to implementation of WTO agreements.

62. As a least developed country (LDC), Sierra Leone benefits from a range of differential treatment in its implementation of WTO agreements. However, the deadlines for LDC implementation of several agreements are fast approaching, and we must implement our WTO obligations in full, while using the full range of special treatment available to us. We currently need assistance for the adaptation of existing legislation to implement a number of key agreements including Customs Valuation, TRIPs, GATS, TBT/SPS. Further technical assistance is needed to ensure that administrative, judicial and other processes are reformed and enhanced to support implementation.

63. Sierra Leone therefore calls on our development partners to renew their commitment to technical cooperation through the provision of adequate and appropriate level of resources in the regular budget of the WTO and other core agencies within their respective mandates. We further

underscore the need for improved coordination in the delivery of technical assistance as a necessary feature to facilitate our effective participation in the WTO. Sierra Leone is already taking its own steps to comply with the WTO Agreements, such as establishing a National Enquiry Point, making our first notifications under the TBT Agreement, and starting a process of legislative reform. Our National Coordinating Committee on Trade now established, will need strengthening as it continues its work.

#### **4.2 Sierra Leone's Position regarding the Doha Round of Negotiations**

64. Sierra Leone joined other WTO Members in reaching consensus on General Council Decision of 1st August 2004 on the Doha Work Programme. Sierra Leone re-affirms its commitment to the Doha round, and urges all WTO Members to respect the timetable for reviews, negotiations and other tasks agreed upon in the Decision.

65. It is our view that the outcomes from the Doha Development Round should meet the objectives set out in the preamble to the Marrakech Agreement. This means that all WTO Members should rise to the challenge of ensuring that issues of development are central to the negotiations. Meeting this challenge will serve to strengthen the multilateral trading system, enhance its legitimacy and create a sustainable basis for economic growth from which all WTO Members may benefit. Sierra Leone welcomes the flexibility already evident in the framework modalities, but would urge further flexibility to accommodate constraints faced by developing countries in the multilateral trading system.

66. The justification for special and differential treatment to Sierra Leone remains valid in so far as these provisions are designed to assist our country, other small economies and LDCs to overcome inherent handicaps which prevent them from deriving meaningful benefits from their participation in the multilateral trading system. In this regard, it is welcome that special and differential treatment features in the mandated negotiations, with a view to making such provisions more binding and effective.

67. The Government of Sierra Leone believes that future agreements, rules and disciplines negotiated among WTO members should be designed to level the playing field by enhancing predictability, consistency and transparency in the multilateral trading system. Such provisions should, *inter alia*:

- be supportive measures for building our productive capacities and strengthening our supply capacities;
- provide flexibility in the use of appropriate policy instruments to enhance the process of growth and structural transformation of our economies;
- improve market access for products of export interest to Sierra Leone;
- advance our regional integration objectives;
- define more precisely the terms and conditions of special and differential treatment

68. Sierra Leone underscores the vital role of the agricultural and service sectors to its economic growth and development. The development of the agricultural sector in Sierra Leone is crucial to our trade growth, employment creation, social cohesion and environmental protection. Sierra Leone therefore views with interest the provisions for the reform and liberalization of international agricultural trade, which must lead to improved access to world markets for all our agricultural exports (primary and processed). This should be achieved through:

- the elimination of tariff escalation and tariff peaks;

- reduction in domestic support and elimination of export subsidies by developed countries which displace agricultural exports by developing countries or impact negatively on their domestic production; and
- the tightening of disciplines on export credits

69. The Government of Sierra Leone recognizes the importance of addressing the vital issues of food security, and the development of rural economies, *inter alia*, taking into account inherent constraints of diversification for developing countries. The particular circumstances of post-conflict countries like Sierra Leone should be given due attention and accommodated in the negotiations on agriculture. Sierra Leone remains deeply concerned at the marginalization of LDCs in the world economy. The Government of Sierra Leone therefore views with satisfaction the provision on agriculture in the General Council Decision of 1 August 2004 for developed countries to extend bound, duty free and quota free treatment to all products of export interest originating from LDCs.

70. Progressive liberalization of trade in services should respect both the existing principles in the General Agreement on Trade in Services (GATS) and the flexibility provided to developing countries under Article XIX of GATS, including the principle of granting credit for autonomous liberalization undertaken since previous negotiations, as provided for in the Article. Moreover, Article IV of GATS should be strengthened and made fully operational.

#### **4.3. Notifications**

71. Severe lack of technical capacity has hampered Sierra Leone's ability to participate effectively in the WTO and fulfil her obligations under the Agreements. This has been particularly apparent in the area of notifications; since she joined the WTO in 1995, Sierra Leone has not notified any trade measures or instruments to the organization. With the assistance to the Ministry of Trade that will gradually build the country's capacity to engage in the WTO, this position will change in the near future. The first notification to the WTO took place in mid-November 2004, with a notification under the TBT Agreement of administrative arrangements for standard setting. Moreover, Sierra Leone's 2004 request to the WTO for technical assistance includes the preparation and submission of notifications.

#### **4.4. Needs Assessment on Trade Policy Framework**

72. As a post-conflict recovery country, Sierra Leone understandably needs a range of technical and financial resources to enable it to comply with its obligations under the WTO. In particular, the country needs assistance for, *inter alia*:

- preparation of notification submissions in compliance with WTO Agreements;
- a move from the Brussels definition of value to compliance with the WTO Customs Valuation Agreement;
- training for customs officers on valuation of goods and pre-shipment inspection;
- training of standards officers on laboratory testing and certification;
- development of trade related laws;
- training of policy makers on WTO agreements and in negotiation techniques;
- establishment of permanent mission in Geneva to enable effective participation in the multilateral trading system.

## **5. Future Direction of Trade Policies**

73. Sierra Leone's Vision 2025 centres on the main goals of establishing a strong economy and the nurturing of private enterprise through innovation.

74. In consolidating the liberalization of trade and the development of socio-economic infrastructure to support that trade, the quest for fairness and efficiency remains. To this end, the regulatory aspects are the main focus, with the development of a comprehensive trade policy, including a competition policy and sectoral regulations.

75. To further enhance policy coordination and transparency, in addition to the inter-institutional policy structures currently in place, a consultative mechanism between the private and public sectors is being established. Tariff rates and non-tariff barriers as scheduled in regional integration will continue to be honoured. The comprehensive trade policy framework will establish objectives and implementation guidelines in respect of an appropriate trade regime and the direction of trade policy.

## Appendix A: Security and Peace Building

The Sierra Leone Police (SLP) force consists of more than 6,500 police officers (July 2003) deployed throughout the country. The police are supported by the Commonwealth Safety and Security Project and the United Nations Mission in Sierra Leone (UNAMSIL) Civil Police Unit. The International Military and Advisory Training Team (IMATT) works together with Republic of Sierra Leone Armed Forces (RSLAF) to create effective and democratically accountable Armed Forces.

The UNAMSIL mandate is to ensure overall security throughout the country. It currently comprises 11,649 uniformed personnel (31 March 2004). It also has 255 Military Observers (MilObs) and 120 civilian police (CivPol) and 319 international and 527 local civilian personnel. The current “drawdown” of UNAMSIL force, depending on the progressive strengthening of the security sector in the country, envisages the retention of 5,000 peacekeepers by year end. In cooperation with the Sierra Leone Police and the Republic of Sierra Leone Armed Forces, a programme for the gradual, deliberate transfer of the primary responsibility for security in Sierra Leone to the national security forces has been initiated, with a first hand-over ceremony held for the Northern region in Makeni on 22 April 2004, and security of the Western Area was handed over to the local forces on 23<sup>rd</sup> September 2004.

The improved political and security environment, combined with the Disarmament, Demobilisation and Reintegration (DDR) Programme, has resulted in the disarmament of 72,490 combatants from all factions (including 6,845 Children), the demobilization of 71,043 ex-combatants (including 6,845 children) and by January 31 2004 a total of 51,122 ex-combatants had been reintegrated and supported through a number of projects such as vocational/apprenticeships, formal education, agriculture and job placements. The NCDDR is now “no longer aware of any illegal armed groups posing a threat to the State of Sierra Leone”.

The Truth and Reconciliation Commission (TRC) was established in 2000 for the purpose of<sup>11</sup>:

- Creating an impartial historical record of violations and abuses of human rights and international humanitarian law related to the armed conflict in Sierra Leone;
- Addressing impunity; respond to the needs of the victims;
- Promoting healing and reconciliation; and
- Preventing a repetition of the violations and abuses suffered.

Parallel to the TRC, the Special Court of Sierra Leone was established. On 16<sup>th</sup> January 2002 the Special Court for Sierra Leone was set up jointly by the Government of Sierra Leone and the United Nations<sup>12</sup>. It is mandated to try those who bear the greatest responsibility for serious violations of international humanitarian law and Sierra Leonean law committed in the territory of Sierra Leone since 30 November 1996. As of February 2004, eleven persons associated with all three of the country's former warring factions stand indicted by the Special Court.

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<sup>11</sup> The Truth and Reconciliation Commission Act 2000. This was a provision under the Lomé Agreement, article XXVI, which states “1. A Truth and Reconciliation Commission shall be established to address impunity, break the cycle of violence, provide a forum for both the victims and perpetrators of human rights violations to tell their story, get a clear picture of the past in order to facilitate genuine healing and reconciliation.”

<sup>12</sup> Following UN Resolution 1315 (2000) of 14 August 2000

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