Sierra Leone Trade Brief

Trade Policy

A member of the Economic Community of West African States (ECOWAS), Sierra Leone has adopted and is implementing the group's Common External Tariff (CET). In June 2009, the ECOWAS revised its four-band CET system with a maximum of 20 percent to include a fifth band of 35 percent. The average MFN applied tariff facing Sierra Leone importers as of 2006 was 13.6 percent compared with the average of 12.2 percent for both the Sub-Saharan Africa (SSA) and low-income country groups. Tariff protection for the agricultural sector was 16.4 percent, compared to 13.1 percent for the non-agricultural sector. Based on its latest MFN applied tariff, it ranks 150th out of 181 countries (where 1st is least restrictive). Sierra Leone's maximum MFN applied tariff (excluding alcohol and tobacco) was 30 percent in 2006. In the same year, the trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), was 33.9 percent. Regarding its commitment to liberalizing services trade, Sierra Leone ranks 59th (out of 148 countries) on the GATS Commitments Index, and is one of the top 5 ranked in the SSA region.

Sierra Leone was heavily affected by the food price hike. Early in April 2008, it recorded an increase in the price of rice on the order of 300 percent,[1] and was granted permission by India to import around 2,000 tons of rice under a partially lifted export ban. To further ensure food security, the government cut import duties on rice and flour. The government also responded to the fuel crisis by shifting the import duty from an ad-valorem rate to a specific rate.

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

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External Environment

Sierra Leone's exports have favorable market access as reflected in a weighted average rest of the world tariff (including preferences) of 0.9 percent, compared to the SSA and low-income averages of 3.5 percent and 3.9 percent respectively. This low number is driven by the low tariff of 0.4 percent faced by the country's non-agricultural exports. Its agricultural exports face a higher tariff of 4.5 percent. Over the course of 2008, the real effective exchange rate of the local currency, the leone, appreciated by 8 percent, making exports less competitive.

As negotiations between the ECOWAS and the EU towards a comprehensive Economic Partnership Agreement (EPA) stalled prior to the December 2007 deadline, the preferences under the Cotonou Agreement elapsed. Sierra Leone, however, maintains a similar level of preferences to the EU market under the "Everything But Arms" (EBA) initiative for least developed countries. The country continues to negotiate a comprehensive EPA with the EU as part of the ECOWAS.

Behind the Border Constraints

Sierra Leone ranked 148th in the Ease of Doing Business index in 2009, which compares the business environment of 183 countries. In the Trading Across Borders category, it reduced time to trade, but also introduced new fees making trade across borders more costly. The Logistics Performance Index (LPI), a measure of the extent of trade facilitation, rates Sierra Leone at 1.95 on a scale of 1 to 5, compared to 2.35 for the SSA region and 2.29 for countries in the low-income group. It ranks 144th (out of 150) in the world and 38th (out of 39) in the SSA region (with South Africa leading the regional group). On the LPI, its strongest performance is in lowering domestic logistics costs, while its weakest performance is in the efficiency and effectiveness of customs procedures.

Trade Outcomes

Real (in constant 2000 U.S. dollars) trade growth decelerated to an estimated 8.2 percent in 2008 from 14.3 percent in 2007 and is expected to fall sharply to

1.8 percent in 2009 due to reduced world demand. Imports grew at 7.7 percent in 2008, down from 13.4 percent in 2007. Export growth was hurt by the collapse of a new dredge to be used for expanded rutile mining, and by a halt in kimberlite diamond production.[2] Export growth ended up decelerating to an estimated 9.9 percent in 2008 from 17.1 percent in 2007. Both export and import growths will continue their downward trend in 2009, with imports expected to increase by only 1.4 percent and exports by only 3.1 percent.

In nominal terms, the growth rate of trade in goods and services rose sharply to an estimated 22.7 percent in 2008 from 11.2 percent in 2007. This acceleration was mainly due to import growth, which more than doubled from 12 percent in 2007 to an estimated 27 percent in 2008, driven in part by high food and oil prices. The growth rate of exports of goods and services also increased, but less steeply, from 10.1 percent in 2007 to an estimated 16.6 percent in 2008.[3] Goods exports increased by an estimated 16.8 percent in 2008 compared to 11.8 percent in 2007 but are expected to fall by 3.1 percent in 2009. Services exports performed even better, growing by an estimated 15.3 percent in 2008 after falling by 1 percent in 2007, but are expected to grow by only 2 percent in 2009. Foreign direct investment as a share of GDP was 5.7 percent in 2007.

Notes

1. FAO 2008a, p. 19.
2. African Economic Outlook, 2009.
3. Figures from the IMF indicate that nominal exports fell in 2008 by 12.9 percent. IMF, 2009b, p. 17.

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