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Trading towards Prosperity: Sierra Leone Diagnostic Trade Integration Study Update

Final Version

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Weight and measures
Metric System

Acronyms

ABC: Agribusiness Center
ACFA: Association of Clearing and Forwarding Agents
ACP: Africa, Caribbean and Pacific
AfDB: African Development Bank
AFDEP: Artisanal Fisheries Development Project
AfP: Agenda for Prosperity
AGOA: African Growth and Opportunity Act
ALIC: Africa Link Inspection Company
AMLEP: African Maritime Law Enforcement Partnership
APEI: Accelerated Program to Enhance Integration
ASYCUDA: Automated System for Customs Data
BoU: Bank of Uganda
BSL: Bank of Sierra Leone
CCAA: Competitive Commercial Agriculture in Africa
CED: Customs and Excise Department
CET: Common External Tariff
CIF: Cost Insurance and Freight
CMAs: Community Management Associations
CPIA: Country Policy and Institutional Assessment
DFID: United Kingdom Department for International Development
DI: Destination Inspection
DTIS: Diagnostic Trade Integration Study
DVA: Domestic Value Added
EBA: Everything But Arms
EC: European Commission
ECOWAS: Economic Community of West African States
EIF: Enhanced Integrated Framework
EPA: Economic Partnership Agreement
ETLS: ECOWAS Trade Liberalization Scheme
EU: European Union
FAO: Food and Agriculture Organization
FAST: Flexible Anti-Smuggling Teams
FBO: Farmer Based Organization

FDI: Foreign Direct Investment
FMTI: Fisheries and Marine Training Institute
FOB: Forward Operation Base
FOB: Free on Board
FRA: Fishing Rights Allocation
GAP: Good Agricultural Prices
GATS: General Agreement on Trade in Services
GATT: General Agreement on Tariffs and Trade
GDP: Gross Domestic Product
GoSL: Government of Sierra Leone
GST: Goods and Services Tax
GTS: General Trade System
HACCP: Hazard Analysis Critical Control Point
HS: Harmonized System
ICBT: Informal Cross Border Trade
IMBO: Institute of Marine Biology and Oceanography
IMF: International Monetary Fund
IPM: Integrated Pest Management
ISFMP: Institutional Support for Fisheries Management Project
ISO: International Standards Organization
ITOA: Indigenous Transport Owners Association
IUU: Illegal, Unreported and Unregulated
JMC: Joint Maritime Committee
LPI: Logistics Performance Index
MAFFS: Ministry of Agriculture, Forestry and Food Security
MAST: Multi-Agency Support Team
MCS: Monitoring, Control and Surveillance
MDAs: Ministries, Departments and Agencies
MFMR: Ministry of Fisheries and Marine Resources
MITEP: Minimum Integrated Trade Expansion Platform
MMMR: Ministry of Mines and Mineral Resources
MoU: Memorandum of Understanding
MPAs: Marine Protected Areas
MRAG: Marine Resource and Fisheries Consultants
MRC: Monuments and Relics Commission
MRU: Mano River Union
MTA: Ministry of Transport and Aviation
MTI: Ministry of Trade and Industry
MWHI: Ministry of Works, Housing and Infrastructure
NAFFSL: National Farmers Federation of Sierra Leone
NASSIT: National Social Security and Insurance Trust
NCMA: National Commercial Marketing Agency
NCP: National Commission for Privatization
NGO: Non-Governmental Organization
NPCA: NEPAD Planning and Coordinating Agency
NPPA: National Public Procurement Authority

NRA: National Revenue Authority
NTB: Non-Tariff Barrier
NTM: Non-Tariff Measure
NTS: National Transport Strategy
P4P: Purchase for Progress
PAF: Partnership for African Fisheries
PCK: Palm Kernel Cake
PCR: Project Completion Report
PSI: Pre-Shipment Inspection
PSSD: Preventive Services and Special Duties
PUCC: Ports Users Consultative Committee
QE II: Queen Elizabeth II Quay
QS: Quota System
RBFM: Right Based Fisheries Management
RTA: Regional Trade Agreement
SCP: Smallholder Commercialization Program
SITC: Standard International Trade Classification
SLAAFU: Sierra Leone Amalgamated Artisanal Fishermen's Union
SLAFU: Sierra Leone Artisanal Fishermen's Union
SLARI: Sierra Leone Agriculture Research Institute
SLIEPA: Sierra Leone Investment and Export Promotion Agency
SLMA: Sierra Leone Maritime Administration
SLNC: Sierra Leone National Carrier
SLNSC: Sierra Leone National Shipping Company
SLPA: Sierra Leone Port Authority
SLPMC: Sierra Leone Produce Marketing Company
SLRMFA: Sierra Leone Road Maintenance Fund Administration
SLSB: Sierra Leone Standards Bureau
SPS: Sanitary and Phyto-Sanitary
SSL: Statistics Sierra Leone
SV: Shipment Value
TACs: Total Allowable Catches
TBT: Technical Barriers to Trade
TC: Total Cost
TTFA: Trade and Transport Facilitation Audit
TURF: Territorial Use Rights in Fisheries
TVC: Total Variable Costs
UBS: Uganda Bureau of Statistics
UNCTAD: United Nations Conference on Trade and Development
UNDP: United Nations Development Program
UNIDO: United Nations Industrial Development Organization
UNWTO: United Nations World Tourism Organization
VC: Variable Cost
VMS: Vessel Monitoring System
WAAPP: West Africa Agricultural Productivity Programme
WAEMU: West African Economic and Monetary Union

WAPP: West African Pilot Project
WARFP: West African Regional Fisheries Program
WCO: World Customs Organization
WDI: World Development Indicators
WECARD: West and Central African Council for Agricultural Research and Development
WSD: World Standards Day
WTO: World Trade Organization
WTTC: World Travel and Tourism Council

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Executive Summary and Revised Action Matrix

Sierra Leone conducted and validated an initial DTIS report in 2006, supported by the World Bank. This included an extensive action matrix aimed at prioritizing and sequencing policy reforms and other interventions for mainstreaming trade into national poverty reduction and development strategies. Despite considerable constraints Sierra Leone has achieved significant progress in a range of areas specified in the action matrix, including legislative and regulatory changes to improve the overall business climate and expanding institutional capacity for formulation and implementation of trade policies.

This updated DTIS builds upon progress made through implementation of the 2006 action matrix and, in light of Sierra Leone's position within a changing global and regional economic environment, recommends adjustments to further advance the role of trade in poverty reduction. The update does not, therefore, seek to replace or undo any of the actions set forth in the 2006 DTIS, but rather aims to complement them and assist in their full realization by drawing on lessons learned from the implementation of the 2006 action matrix, and delves more deeply into the analysis of key sectors. This analysis, in turn, brings out the cross-cutting issues where significant challenges need to be addressed in order for other priority sectors to become more competitive.

Despite significant progress having been made since the validation of the 2006 DTIS, implementation fell short in a number of areas, in particular those relating to cross-cutting issues like trade facilitation and logistics, as evidenced by Sierra Leone's position in the latest Global Competitiveness Rankings which places the country second from last. As the country makes the transition from the *Agenda for Change* to the *Agenda for Prosperity* with aspirations to achieve middle-income status by 2035, it becomes more important than ever to overcome both supply side and institutional impediments to trade and boost the overall competitiveness of the country. For this to happen, however, a lot remains to be accomplished over the next five years.

It is against this backdrop that the Government of Sierra Leone requested the World Bank to take the lead role in preparing a DTIS Update that would help inform its upcoming Poverty reduction Strategy Paper—the Agenda for Prosperity—in areas of International Competitiveness and Economic Diversification. The main objectives of this update are to: (i) take stock of progress in implementation of the DTIS action matrix; (ii) complement and deepen the analysis of the DTIS in selected areas and cross-cutting issues; and (iii) revise the action matrix accordingly.

The key message emerging from the implementation of the 2006 DTIS and the subsequent update is that a holistic approach is needed for trade related strategies and investments to truly achieve their intended purpose. Such an approach entails investments and strategies be underpinned by institutional reforms and the capacity needed to fully carry them out which requires careful planning and sequencing. This has not been the case in Sierra Leone's experience with the implementation of the 2006 DTIS, therefore, the full benefits of progress made in areas like building of hard infrastructure and adoption of numerous trade related national strategies have not translated into lower trade costs, value added exports, and reliable supply chains.

I. Trade Policy and Institutions and Implementation of the 2006 Action Matrix

The Ministry of Trade and Industry (MTI), as custodian of the sector, is responsible for trade policy development and implementation, in coordination with related entities under the umbrella of the Ministry like the Sierra Leone Investment and Export Promotion Agency (SLIEPA) and the Sierra Leone Standards Bureau (SLSB). The country's trade policy is guided by a number of trade related policies and strategies, most of which have been developed since the 2006 DTIS. The Sierra Leone Trade Policy, introduced in 2010, sets out to provide a reference for trade policy development in Sierra Leone. It is expected that with the proposed development and adoption of a National Trade Strategy and a medium term program for Aid for Trade interventions, the DTIS Update will help guide trade policy formulation and implementation and create synergies with the PRSP-III.

In order to create a coherent and harmonized environment for trade policy formulation and implementation as proposed in the updated Action Matrix, it is essential that the coordination mechanism for trade policy be strengthened. An effective public-private sector consultative mechanism with the capacity to initiate and influence trade policy is needed to successfully implement the updated Action Matrix and trade related areas of the PRSP-III. The private sector in Sierra Leone is characterized by a large number of small actors, most of which operate informally. Previous efforts to create a framework for public-private dialog have yielded limited success, mostly due to lack of capacity of private sector associations to effectively influence public policy dialog on trade.

Donor coordination is another issue for effective trade strategy formulation and implementation in Sierra Leone. As a result of trade not being adequately mainstreamed in to the Agenda for Change and the lack of an effective donor-government consultative mechanism, coordination among donors has been fragmented in trade related areas.

Going forward, it is crucial that these existing policies, strategies and institutions work in synergy with the DTIS Update and the relevant pillars under the upcoming PRSP-III to ensure a harmonized and coherent policy environment to guide resource mobilization and implementation over the next five years. It is also important that the various agencies under the MTI enhance collaboration in order to work together more effectively in expanding market access for Sierra Leone's exports. Agencies like the SLSB and SLIEPA are well placed to make improvements in areas like information sharing to ensure stronger support systems for the export community. Lastly, coordination mechanisms between trade policy institutions and the private sector and donors need to be strengthened.

The 2006 DTIS Action Matrix included a comprehensive set of recommendations with over 100 actions, distributed across 8 areas covering Sierra Leone's trade policy and institutions, trade agreements and market access, a number of cross-sectoral areas such as the regulatory environment for investment and trade facilitation, sectoral issues relating to agriculture and agribusiness, fisheries, tourism, and financial services, as well as capacity building issues in implementing entities like the MTI and the national Revenue Authority (NRA).

Progress with the implementation of the Action Matrix has been uneven across sections. Most progress has been registered with actions aimed at improving the legal and regulatory

environment for attracting investment and the overall business environment, as well as customs reform, while actions aimed at Sierra Leone's export diversification have yielded limited results so far. Sierra Leone enacted a number of new legislation and established new institutions to improve the policy and regulatory process. Among the most commendable achievements in the implementation of the 2006 DTIS is the restructuring of the NRA and the introduction of the GST, revamping of the Customs and Excise Department (CED), implementation of the ASYCUDA and increased revenue collection capacity, re-structuring of the MTI into professional directorates, and the establishment of SLIEPA and a One-Stop-Shop to register businesses.

II. Facilitating Trade and Improving Domestic Logistics Services for Lower Trade Costs and Efficient Supply Chains

Sierra Leone faces sizable constraints and lags in implementing effective policies to overcome domestic and cross-border trade barriers. High transport costs, poor infrastructure and an underdeveloped logistics services sector limits Sierra Leone's ability to develop competitive value-added exports and raises the cost of imported goods. There has been a great deal of progress in upgrading of the physical infrastructure of the country in recent years. Infrastructure improvements alone, however, can neither significantly reduce trade costs nor improve reliability. Improvements in infrastructure can help reduce travel time and vehicle operating costs while other measures are needed to reduce operational and bureaucratic delays and to reduce regulatory burdens. Approaches that simultaneously tackle both hard infrastructure (roads, railways, ports) and the "soft" infrastructure (institutional and regulatory reforms, etc.) are needed to gain ground in logistics and trade efficiency.

The 2006 DTIS prioritized comprehensive measures to reform customs and border management to overcome challenges like long clearance times and high trading costs. It is apparent that significant progress has been made in implementing these reforms, with some tangible improvements on the ground. Weaknesses remain, however, where government policy can have a direct impact, namely in areas of trade related infrastructure bottlenecks and intermodal connectivity, logistics service quality, and remaining technical and capacity issues with customs and border management entities.

The recommendations of the trade facilitation chapter of the updated DTIS focuses on building upon improvements made since 2006 by fully implementing strategies and protocols already in place, and puts forth interventions aimed at building up the quality and efficiency of core logistics services and promoting modern customs and border management practices. These recommendations also help to ensure that infrastructure investments truly achieve their purpose by linking these to institutional reforms which transmit the benefits from hard infrastructure into more reliable supply chains and lower transport and trade costs.

Recommendations in the trade facilitation chapter of the DTIS Update are designed around four broad areas. First of these aims to strengthen the institutional capacity required for implementing current and future trade related strategies and managing infrastructure investments. These include measures aimed at clarifying the mandate of institutions involved in facilitating trade and transport in the upcoming PRSP and addressing capacity and coordination issues in key implementing entities, in particular the Ministry of Trade and Industry and the Ministry of Transport and Aviation.

Second area of recommendations focus on eliminating infrastructure bottlenecks and improve intermodal connectivity by ensuring an adequately funded road maintenance programmer is in place before any further investments in roads are made, and reducing congestion at the Port of Freetown through relatively small investments and better connectivity between the port and the road network.

The third area provides recommendations to boost revenue collection and efficiency in cargo clearing and transit by resolving remaining technical and capacity issues in the implementation and maintenance of ASYCUDA; facilitating the move to risk-based inspection to reduce clearance costs; and further developing the capacity of and cooperation among border agencies for curtailing smuggling and ending harassment and other corrupt practices that target traders.

Final set of recommendations tackle issues impeding the quality and operating environment of core logistics services that are required to build efficient supply chains. Specific recommendations include, developing a National Logistics Strategy that focuses on building up domestic core logistics services through investments in capacity and skills development, and promoting competitive policies necessary for an efficient and competent logistics sector to thrive.

III. Enhancing Sub-Regional Integration for Addressing Issues of Common Interest

Cooperation at the regional level and with neighbors is integral to Sierra Leone's growth. Given its narrow export base and dependency on imports, Sierra Leone should actively participate in efforts to increase regional integration with Mano River Union (MRU) members, as well as the wider Economic Community of West African States (ECOWAS).

The MRU comprising Sierra Leone, Guinea, Liberia, and Côte d'Ivoire is at a critical juncture. After conflicts in the region undermined or destroyed all of the MRU's early integration efforts, the organization resumed operations in 2008 with an initial emphasis on sustaining peace and security, which has since shifted towards regional integration and economic development as the sub-region has stabilized.

Plans are underway to align the MRU's trade policy provisions, such as those governing rules of origin, with the corresponding regulations in ECOWAS. The MRU recently approached ECOWAS with a view to becoming the latter's executing agency in Sierra Leone and for other MRU members. Going forward, the prospect of an explicit collaborative arrangement between the MRU and ECOWAS appears as a welcome initiative to reduce overlap and avoid a duplication of efforts. Making such an arrangement work in practice, however, with all its budgetary, staffing, and coordination implications will present a formidable challenge.

Sierra Leone and its fellow MRU members face a range of common challenges that are best confronted through collaborative efforts. All four members have extensive marine resources and limited capacity to combat *illegal, unreported and unregulated* fishing along their long coasts. A collaborative strategy and coordinated use of resources to protect and preserve shared marine resources would yield more effective results than taking on the issue alone. Another such example of collaborative action is in combating smuggling which deprives all members of significant tax revenues each year and, in particular, drug trade which is becoming an increasingly severe problem across the entire West Africa region. Construction of cross-

border mining related and other infrastructure like roads, bridges and joint border posts are also other areas where policy design and implementation at the sub-regional level has the potential to enhance trade integration and growth.

The MRU could possibly become a driver of regional integration for West Africa, but this would require a coordinated commitment from member countries to pursue an advanced trade policy reform agenda which does not currently exist. Similar to an ongoing initiative in East and Southern Africa, the Accelerated Program for Economic Integration (APEI), the MRU countries can decide to go beyond the implementation of provisions in the broader ECOWAS agreements that they are party to and speed up their economic integration agenda by: (i) improving the business regulatory environment; (ii) eliminating barriers to trade in goods; (iii) protecting natural resources and borders; and (iv) fostering capacity building through peer-to-peer learning.

Further to pursuing sub-regional integration efforts, Sierra Leone should also give priority to fully implementing existing regional trade agreements; educate and craft strategies for the private sector to take advantage of international trade agreements like the African Growth and Opportunity Act (AGOA) and Everything But Arms (EBA); facilitate the utilization of the ECOWAS Trade Liberalization Scheme (ETLS), and build on efforts to further sensitize the private sector on the opportunities and challenges of the ETLS through comprehensive capacity building and skills training in key export sectors.

IV. Harnessing the Potential of Sustainable Tourism for Employment Generating Growth

Sierra Leone has the potential to become an internationally competitive tourist destination, but many improvements are needed with an emphasis on planning and strategizing, as well as human and financial resources. Tourism-related infrastructure are still in a state of disrepair or in need of upgrading—especially roads, the Lungi International Airport, energy, water supply and sewage system, and hotels. Work is visibly underway, especially with roads and some hotels, but a long list of needs remain. One of the most critical needs is a shortage of skilled and trained labor for local hotels. The education system in general and the tourism faculty in particular are not adequately preparing students to work in a growing tourism industry.

In 2012, Sierra Leone was ranked as the 28th fastest growing tourism economy in the world with tourism contribution to GDP expected to double to US$464.4 million, comprising about 8 percent of GDP. Despite overall increases in tourism revenues and the priority position of the sector in both the Agenda for Change and the Agenda for Prosperity, very little of this income has been reinvested in the institutions that should be guiding, setting standards and coordinating tourism development—the Ministry of Tourism and Cultural Affairs (MTCA) and National Tourism Board (NTB)—and educating Sierra Leoneans for employment in tourism – the Hotel and Tourism School.

Despite support from the ongoing EIF Tier 2 project, Sierra Leone lacks adequate resources for guiding its tourism development, marketing and promotion. The private sector is actively investing and developing multiple hotels and restaurants, especially along the Western Peninsula. A cohesive implementable strategy that connects the individual developments is missing. Furthermore, excessive sand mining is destroying several beaches, particularly in areas that are renowned as tourist attractions along the Western Peninsula.

It is possible for tourism to continue developing as is—mostly based on individual hotel investments, some donor support and the limited resources of the Tourism Board, but it will be difficult, if not impossible, for the country's rich tourism potential to be fully realized without strong public sector leadership and coordination supported by the necessary financial and human resources and protection of natural and cultural heritage sites.

V. Strengthening Agricultural Value-Chains for Promoting Value-Added Exports

Since the DTIS undertaken in 2006, there has been improvement in the performance of the agricultural sector in terms of crop output, export earnings and contribution to the Gross Domestic Product (GDP). This improvement is due in large part to increases in area under cultivation and to a minimal extent an increase in yields as a result of technical change in a few commodities. Secondly, the sector has benefited from fairly stable prices for most of its tradable commodities. Sierra Leone has significant potential for agricultural expansion mainly due to available arable land. There is, however, a need to improve overall productivity and trade competitiveness as a basis for sustainable agricultural growth.

The agriculture chapter examines the value chains of four commodities (Rice, Cassava, Cocoa and Palm Oil) with the objective of assessing the country's competitive advantage, which is an important factor required to improve agricultural trade. The results of the studies show that agricultural value chains for the four commodities included in the analysis are not well developed as they are limited to the primary stages of production and processing. Participants along the value chains use mostly traditional or small scale methods of production and processing. In many instances, many of the activities along the chain are undertaken inefficiently, thereby affecting the overall performance of the chains in terms of cost efficiencies and profit margins, which invariably affect the competitive advantage.

The main factors affecting the cost structure and competitive advantage include mainly the low levels of productivity; inefficient commodity assembly and processing methods used, mostly by the farmers themselves, with limited scope for specialization. Hence, in many instances farmers combine various functions along the chain, for instance the production, assembly and processing of almost all key commodities. The high costs incurred at the farm-gate are due to high inputs costs arising from the use of traditional technologies that are largely inefficient and labor intensive.

In the case of rice for example, Sierra Leone only has a competitive advantage to produce rice for import substitution, but may not be able to compete in the export market. This is because of the high costs at the production stage mainly due to very low yield levels. Furthermore, rice production is dominated by smallholders and productivity is generally low. Gari is the most competitive and needs to be promoted more in order to consolidate the country's competitive advantage in the region. Production of cassava and processing it into gari is highly profitable to both farmers, traders and processors, and the overall production cost is lower mainly due to limited application of inorganic inputs. Gari is also enjoying significant demand in the countries in the region, and Sierra Leone has favorable production conditions. In the cocoa sub-sector, over 40 percent of the costs are incurred at the farm-gate mainly due to low productivity, resulting from lack of good agronomic practices as well as use of old plantations. Furthermore, the assembly functions such as sorting and local transportation of the commodity are

undertaken less efficiently. In terms of palm oil, trade competitiveness is affected by the high costs incurred at the processing and logistics/trading stages. This is largely due to the cumbersome nature of transforming fresh-fruits bunch using mostly inefficient traditional methods to palm-oil and the huge costs of transporting bulky materials and finished product. Specific cost elements at the processing stage include packaging and consumables, and energy, vehicle operations and maintenance. At the assembly stage, key cost centers are vehicle costs, depreciation and overheads, and crop levies and fees.

In order for Sierra Leone to realize its full export potentials in these commodities and consolidate its competitive edge in agricultural trade in the sub-region, the study proposes a number of actions. More sustainable approaches are needed, which include supplementing increases in land cultivated with improved/high-yielding varieties, sound agronomic and management practices and linking farms to market through continued investments in road networks. In terms of increasing trade competitiveness, value-addition through the introduction of small-scale appropriate processing technology at the farm-level will increase volume and quality of products, reduce labor costs as well as increase returns to producers. Re-introduction of grading and standardization will improve the image and price of exports. The bans on export of commodities should be lifted to encourage free-flow of goods across borders. Data collection at border posts should be reviewed and systems put in place to improve on data collection, recording and reporting. Finally, trade impeding policies and practices like roadblocks, extortion and harassment of traders needs to be eliminated and farmers and traders need to be better educated and informed on changes to trade policies and procedures.

VI. Building Effective Marine Management and Protection Systems for a Competitive Fisheries Sector

Sierra Leone has valuable marine resources with the potential to make a significant contribution to the economic growth and development of the country in coming years. Marine resources are estimated to be worth over US$735 million in terms of economic value and capable of generating economic rent of over US$60 million per year under an effective fisheries management system. Underpinned by robust fish stocks, the sector could, thus, make a significant contribution to employment, exports and income growth

The fisheries sector faces a range of serious challenges and constraints however, including ineffective policy implementation, a weak legal framework, a lack of effective fisheries management, high levels of *illegal, unreported and unregulated* fishing, weak institutional capacity, an under-developed seafood industry, a lack of basic and sector-specific infrastructure, lack of investments and minimal private sector incentives, and inadequate access to major international markets. The end result is that the fisheries sector in Sierra Leone has been unable to realize its full potential.

Recent development interventions aimed at addressing these issues have had only limited success as revealed by a review of the 2006 DTIS. While significant progress in improving fisheries infrastructure was made, other crucial issues like increasing market access and a lack of implementation of existing policies and strategies have not been adequately addressed.

With reference to the fisheries sector in Sierra Leone, the DTIS Action Matrix should be revised to take account of development interventions needed in three key areas: Demand-side

interventions to build capacity in the private sector at all levels to take up opportunities; supply-side interventions to create incentives to encourage investment and development; and entrepreneurial interventions to facilitate integrated approaches.

Demand-side interventions should focus on three areas: Further development of policy, strategy, and a stewardship approach aligned with sustainable exploitation of fisheries resources as elaborated by fisheries management plans; Development of an appropriate certification process for fish products for export as demanded by international standards; and Adoption of recognized standards for suppliers to ensure responsibility in their own practices and operations.

Supply-side interventions should focus on three areas: Investment in infrastructure (and local enforcement) as a way of business environment development; Establishment of mechanisms in order to obtain clear and realistic information about the social and environmental market demands for trade facilitation; Build capacity in the sector through technical and other support. Entrepreneurial approaches should focus on developing alternative market for new products as a way of facilitating direct marketing, particularly at a regional level in West Africa, and also considering products from both fisheries and aquaculture.

Overall, it is recommended that careful analysis and planning should underpin the specification of future interventions in the fisheries sector in Sierra Leone. Particular attention should be given to the prioritization and sequencing of interventions—lessons so far in both Sierra Leone and elsewhere indicate that it is important to have an appropriate policy and legal framework in place, followed by institutional capacity-building, before attempting any significant technical or infrastructure investments or implementation. Furthermore, with particular reference to seafood product development and international trade, while the potential rewards of engaging in these activities are significant, it is important to undertake an assessment of comparative advantage, and to ensure that trade and fisheries management policies and their implementation are coherent, to avoid undermining long-term sustainability of the resources or the industry.

VII. Institutional Arrangements for Implementation of the Revised Action Matrix: Capacity Building of and Coordination among Implementing Entities

The development and implementation of successful trade and investment strategies requires a significant strengthening of institutional capacity, not only within the Ministry of Trade and Industry, but also throughout the administration as well as the private sector. It is essential that all relevant institutions are staffed with competent personnel, and the necessary institutional arrangements for the implementation of the action matrix are in place. This requires extensive capacity building of personnel and coordination among implementing entities and other stakeholders.

An institutional mechanism to monitor the implementation and impact of interventions and to enhance accountability will be put in place during the validation workshop in Freetown. The monitoring mechanism will comprise implementing ministries, departments and agencies, the private sector, and donors. A clear distribution of tasks will be devised and the entities that will be held accountable for attainment of specific performance outcomes will be identified at the validation workshop.

It is envisioned that the validated DTIS Update will provide the foundation for development of a proposed medium-term program for Aid for Trade activities. More specifically, the revised Action Matrix will provide input for formulating the medium-term program proposed by the MTI.

The revised action matrix identifies high-priority substantive areas for capacity building needed for scaling up trade and competitiveness aimed at both the private and the public sectors. These proposed actions are presented as a crosscutting issue and presented under each of the main chapters rather than a stand-alone chapter.

VIII. Revised Action Matrix

To guide the implementation of the Revised Action Matrix in the coming years, the following 10 priority actions have been identified:

1. Develop a Medium Term Programme derived from the DTIS update and a comprehensive trade strategy which ensures synergies with the Agenda for Prosperity Build capacity of SLSB for effective standards development, implementation, and compliance; Increase competence of domestic suppliers of goods and services to comply with quality principles to increase competitiveness of exports and expand market access
2. Ensure that a robust plan for road maintenance is in place before further construction and rehabilitation of roads; Gradually Restore the Road User Charge to a level consistent with funding required to maintain the core road network (Road User Charge of 12 UScts/ liter)
3. Resolve remaining technical and capacity issues with the implementation and maintenance of ASYCUDA by providing adequate electrical power and backup generators, and real-time backup facilities onsite and at the Bank of Sierra Leone (BSL), introduce ASYCUDA at Gbalamuya and Gendema without further delay;
4. Reduce the number of checkpoints along trade routes and enforce measures to prevent harassment and corrupt practices at borders;
5. Reduce congestion outside the Freetown Port by improving access to and from the port through expansion of roads, relocation of roadside vendors, introducing signalization, and optimization of truck trips and volumes
6. Increase dialog to facilitate taking collaborative action with Guinea and Liberia to implement and enforce existing ECOWAS and MRU protocols on trade and transport and sensitize traders, transport operators, and border officials on their rights and obligations under these arrangements on both sides of the border.
7. Enforce the Environment Agency Protection Act 2008 with immediate effect to prevent further sand mining on the country's prime touristic beaches;
8. Develop an appropriate certification process for fish products for export as demanded by international standards; and
9. Encourage large-scale cultivation of rice with a view to increasing volumes to meet local demands in the short-term and regional exports in the medium-long term.

The actions and their relevant performance indicators and implementation timeframes presented in the Revised Action Matrix were discussed with relevant stakeholder groups and validated during the Validation Workshop, including a clear distribution of tasks and the entities that will be held accountable for attainment of specific performance outcomes.

Table 1: Revised Action Matrix for the Sierra Leone DTIS Update

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
Trade Policy and Institutions					
Promote a coherent and harmonized environment for trade policy development and implementation	Develop a medium term program for Aid for Trade interventions derived from the DTIS Update	MTI	2013	A medium term program and implementation plan developed upon adoption of the DTIS Update	EIF
	Develop a comprehensive National Trade Strategy and implementation plan which ensures synergies with the Agenda for Prosperity	MTI	2014	Sierra Leone comprehensive Trade Strategy and implementation plan developed	GoSL
Strengthen and upgrade the overall national quality infrastructure to boost competitiveness	Build capacity of SLSB for effective standards development, implementation, and compliance; Increase competence of domestic suppliers of goods and services to comply with quality principles to increase competitiveness of exports and expand market access	MTI, SLSB	2014-2018	Ability of SLSB and laboratories to provide internationally recognized services increased; Exporters 'compliance with national and international standards increased	EIF, WB, EU
Improve institutional coordination mechanisms at all levels: Intra-ministerial Inter-Governmental, Government-Donor, and Public-Private.	Put in place appropriate coordinating mechanisms at all levels to ensure inclusive trade policy formulation, implementation and resource mobilization for trade related activities.	MTI	2014-ongoing	A consultative group established, led by the MTI and comprising all trade-related MDAs, donors, and private sector;	GoSL, WB, EIF
	Enhance collaboration between MTI agencies, SLSB and SLEIPA to facilitate exporters' access to international and regional markets.	MTI, SLSB, SLIEPA	2014-ongoing	A joint working group established; SLSB Representation in SLEIPA board and vice versa; Organize joint workshops and seminars for informing/sensitizing exporters	GoSL, EIF, WB, EU
Facilitating Trade and Improving Domestic Logistics Services for Lower Trade Costs and Efficient Supply Chains					
Eliminate infrastructure bottlenecks and improve intermodal connectivity	Gradually restore Road User Charge to a level consistent with funding required to maintain the core road network (RUC of 12 UScts/ liter)	SLRA, SLRMFA,	2014-2015	RUC of 12 UScts/ liter implemented over one-year; % of roads undergoing annual routine maintenance.	GoSL, WB
	Reduce congestion outside the Freetown Port by	SLRA, SLRTA	2014-2016	% Reduction in time required for trucks to	WB, EU, DFID,

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
	improving access to and from the port through expansion of roads, relocation of roadside vendors, introducing signalization, and optimization of truck trips and volumes			enter and exit port	AfDB
	Establish a centralized distribution area outside the port for handling break bulk and containers, with potential for onsite warehousing	SLPA	2015-2016	Distribution center built and handling SLPA cargo	WB, DFID, EU, AfDB
	Bring in to effect the break bulk concession agreement which has been signed	SLPA, NCP	2013	Break bulk concession agreement fully in effect	GoSL
Improve the quality and operating environment of core logistics services to build efficient supply chains	Develop and implement a National Logistics Strategy with a focus on developing domestic core logistics services	MTI, MTA	2014-2015	Logistics strategy developed in 2014 and implemented by 2015	WB
	Address remaining skills and capacity issues of professional road haulage, clearing and forwarding, warehousing and storage services sectors. Carry out a trucking survey to provide accurate data on truck fleets and transport costs.	MTI, SLRTA, NRA	2014-2015	# of C&F agents fully licensed by NRA, transparently against selection criteria; Training provided to members of trucking and C&F agents associations; Trucking survey carried out.	DFID, WB
	Adopt competitive policies that level the playing field for public and private logistics operators	MTI, State House	2013-2014	SLNC Act repealed; MDAs restriction lifted for C&F sector.	GoSL
Build on progress made in customs and border management to boost revenue collection and efficiency in cargo clearing and transit	Resolve remaining technical and capacity issues with the implementation and maintenance of ASYCUDA by providing adequate power and backup generators, and real-time backup facilities onsite and at BSL	NRA, BSL	2013	# Days reduction in ASYCUDA downtime % Increase in clearance time	DFID, WB, EU, GoSL
	Prevent further delay in the roll out of ASYCUDA to Gbalamuya and Gendema, and ensure that adequate power, ICT infrastructure and operating and maintenance capacity in place for efficient and continuous operation of the system.	NRA	2013-2014	ASYCUDA introduced at Gbalamuya by end of the year, and at Gendema in first half of 2014.	DFID, WB, EU, GoSL
	In accordance with the Niamey Declaration, put in place a plan to transfer inspection from DI company	NRA	2013-2014	A review of the ALIC contract done and plan for DI transfer to CED in place;	DFID, WCO, GoSL

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
	to CED and facilitate the move away from 100% inspection to reduce clearance time and costs			IDV Database introduced; Green Channel percentage target of 35% achieved by 2015.	
	Improve cooperation among customs and border management agencies	NRA, SLP, SLSB	2014	Joint border management committee established at Gbalamuya and Gendema.	WB, EU, DIFD
	Reduce number of checkpoints along trade routes and enforce measures to prevent harassment and corrupt practices at borders	SLP, NRA, SLSB	2013-2015	# Reduction in check points; Mechanism for reporting extortion, harassment by border officials in place; Training provided to traders/truckers and border officials on rights and obligations under existing ECOWAS and MRU protocols.	WB, GoSL
	Clarify the mandate of institutions involved in facilitating trade and transport and address capacity issues	MTA, MTI, MWHI, NCP, NRA	2013-2014	Ultimate one-stop responsibility for transport and trade policy established for MTA and MTI in the PRSP III; Training provided to key staff teams responsible for developing and implementing trade/transport strategies.	WB, EU, DFID, UNDP, GoSL
Introduce measures to better monitor cross-border trade and address challenges of informal traders to help bring them in to the formal sector	Establish an integrated mechanism for formal and informal trade statistics to improve collection, monitoring and reporting cross border trade.	MTI, MAFFS, NRA, SSL, BSL	2014-2016	Facilities for capture of trade statistics provided at border-posts; Systematic procedures for data management and dissemination/sharing operational.	WB
	Develop and implement an Informal Cross-Border Trade Strategy with a strategic plan to eliminate challenges faced by informal traders to bring them in to the formal sector.	MTI, SSL	2014-2018	ICBT Strategy developed in 2014 and implemented through 2018	WB
Enhancing Sub-Regional Integration for Addressing Issues of Common Interest					
Protect marine resources against IUU	Enhance sub-regional collaboration in surveillance by developing a framework for MCS enforcement and the establishment of a regional observer program	MFMR, MRU	2014	MCS enforcement framework negotiated and regional observer program implemented	EU,WB

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
Increase efficiency at joint border posts and create secure borders	Establish and train joint border patrol forces and encourage intelligence sharing between border enforcement agencies for combating smuggling and drug trade	NRA, SLP	2014-2015	Joint border patrols established, trained and mobilized at Pamelap/Gbalamuya and Gendema/Bo Waterside	WB, DFID, EU, UNDP
	Harmonize and simplify procedures required for clearing and transiting goods on both sides of the border	MTI, NRA, SLSB, MRU	2014-2015	Procedures harmonized and compatible with joint border post operation	WB, DFID, EU
	Increase dialog to facilitate taking collaborative action to implement and enforce existing ECOWAS and MRU protocols on trade and transport and sensitize traders, transport operators, and border officials on their rights and obligations under these arrangements on both sides of the border.	MTI, MTA, SLRTA, NRA, SLP	2013-2014	Existing ECOWAS and MRU protocols fully implemented by all three countries; Series of educational activities carried out to sensitize stakeholder groups	WB, DFID, EU, AfDB
Ensure food security by preventing supply shortages and price spikes	Coordinate with the food security unit within the MRU Secretariat and exchange information on food pricing in different regions with the MRU focal point	MAFFS, MRU	2013	Routine meetings and information exchange sessions established	WB, DFID, EU, AfDB
Pursue deeper coordination on development of mining related infrastructure and regional transport networks	Develop a framework for aligning sector policies, designing regional master plans and portfolio of synergistic projects, harmonizing regulatory regimes and investment codes, and mobilizing investment resources.	MTA, MMMR	2014	Framework for regional transport developed and negotiated at the MRU level	WB, AfDB
Harnessing the Potential of Sustainable Tourism for Employment Generating Growth					
Create a more focused vision and strategy for tourism development with broad-based support within government	Convene a representative cross-section of tourism stakeholders from the public and private sectors to agree on the way forward for tourism and ensure support at the highest levels of government	MTCA, NTB, State House	2013-2014	Convening of advisory process and establishment of an ongoing advisory council.	GoSL
	Propose specific policies based on the focused vision and strategy, i.e. the ecotourism policy, cultural	MTCA, NTB, MRC	2014	New Tourism Act is passed which recognizes the importance of policies for	GoSL

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
	tourism and heritage protection policy			ecotourism, cultural tourism, beach tourism and business travel.	
	Update the 2009 Tourism Strategy and review the 1982 Tourism Master Plan to match the vision and policies which includes a detailed strategic action plan and budget.	MTCA, NTB, MRC	2014-2015	Updated Tourism Strategy that provides a "road map" for realizing the Vision and Policies recognized in a new Tourism Act; Short term (1 year) and medium term (2-5 years) action plans with budgets requirements.	GoSL, WB
Build planning and implementation capacity of tourism institutions through adequate budget allocations	Utilize the EIF Tier 2 activity funding of institutional capacity building for developing a realistic work program and budget planning	MTCA, NTB	2013-2017	Training conducted in public administration and tourism management for both public officials and private sector stakeholders	EIF, IFC, GoSL
	Re-invest revenues derived from the tourism sector for funding tourism institutions (MTCA, NTB, Tourism College, and Museums and Monuments).	MFED, MTCA	2013-2014	20 percent of tourism revenue allocated to the MTCA and NTB based on updated Tourism Strategy.	GoSL
	Establish concessions at national cultural and natural heritage sites through a competitive and transparent bidding process	MTCA, NTB, MRC	2014	Concessions Policy drafted and passed; Pilot concession opportunities tendered.	Private Sector, EIF, GoSL
	Establish PPPs in marketing and promotion, product development, and education	MTCA, NTB, MRC	2014-2015	PPP established following EIF Tier 2 support for renovation and operation of new Tourism College.	Private Sector, GoSL
Protect natural and cultural heritage sites essential to tourism development	Enforce the EPA Act 2008 to prevent further sand mining on the country's prime touristic beaches	MTCA, NTB, MRC, MLCPE	2013	# of sites where sand mining is completely stopped.	GoSL
	Explore alternative sustainable ways to mine sand such as from inland rivers and swamps; encourage and promote sand alternatives for use in the construction industry in collaboration with the private sector	MTCA, NTB, MRC, MLCPE	2013-2014	% Reduction in beach sand used in construction.	GoSL, Private Sector
Strengthening Agricultural Value-Chains for Promoting Value-Added Exports					
Increase Efficiency in the Production of Key	Increase farmers' access to improved/high-yielding seed varieties to enhance productivity.	MAFFS, SLARI, NAFSL	2014-2018	% Increase in land cultivated with improved/high yielding seed varieties;	WB, IFAD/GAFSP

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
Agricultural Commodities to Reduce Import Dependency				Level of dissemination of improved/high yielding seed varieties; % Adoption of improved/high yielding seed varieties.	
	Introduce and promote sound agronomic and management practices including the facilitation of FFS and researcher-farmer interface.	MAFFS, SLARI, NAFSL	2013-2018	% Increase in number of farmers using sound agronomic and management practices.	FAO, IFAD, GAFSP
	Encourage large-scale cultivation of rice with a view to increasing volumes to meet local demands in the short-term and exports in the medium-long terms	MAFFS, MTI, SLPMC	2014-2018	At least three large-scale rice production enterprises in Tormabum, Gbondapi and Kambia.	WB, JICA
	Carry out a study to assist the GoSL in planning and developing policies and interventions to harness positive spillovers and better mitigate and offset negative externalities that an expanding mining sector can create on agriculture	MAFFS, MMMR	2014-2015	International expert hired and study conducted with estimates of costs/benefits of positive and negative spillovers	WB
Increase commercialization of food crops with primary focus on cassava	Facilitate value-addition through the introduction of small-scale appropriate processing technology at the farm-level that will increase volume and quality of products, reduce labor costs as well as increase returns to producers	MAFFS, MTI	2014-2018	# of small-scale appropriate technology introduced at the farm-level; Level of transformation of commodities at the farm-gate;	WB, IFAD, GAFSP, AfDB
	Maximize the export potentials of cassava	MAFFS, MTI, SLPMC, CMMU	2013-2014	Grading, Standardization Quality control and branding introduced.	WB, IFAD, GAFSP
Produce high quality cash crops for exports and diversify export base	Gradually replace old cocoa and palm oil plantations and extend acreage under cultivation with high-yielding, disease resistant varieties	MAFFS, SLARI	2014	% of old plantations replaced; % increase in acreage under improved varieties	WB, Private Sector
	Re-introduce grading and standardization to improve the quality and price of export commodities	MAFFS, MTI, SLSB, CMMU	2014 - 2018	Criteria for grading and standards established across commodities together with associated pricing and evidence of impact on farm incomes; Mechanism for enforcement established	WB, Private Sector

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
				and operational.	
	Avoid use of seasonal import/export restrictions on commodities to encourage free-flow of goods across borders	MTI, MAFFS	2013 - 2018	Import/export restrictions lifted; ECOWAS protocols implemented.	WB, Private Sector
	Encourage large-scale private sector investments in cash crop production and processing in order to add value to products	MTI, MAFFS, SLPMC, CMMU	2014 - 2018	At least three large-scale private investments each in cocoa and oil-palm	WB, Private Sector
Facilitate the importation of seeds and fertilizers	Pass the draft seed, fertilizer and pesticide regulation law	MTI, MAFFS, SLSB	2014	Seeds, fertilizer, and pesticide regulation law passed	WB
	Domesticate Regional Agreement on Harmonized Seed Legislation of May 2008 and lobby for same at the sub-region	MTI, MAFFS, SLSB	2013 - 2014	Regional Agreement on Harmonized seed Legislation of May 2008 domesticated and same lobbied for at the sub-region; Capacity of local seed multiplication enhanced.	WB, JICA
	Harmonize fertilizer blends across countries in the sub-region and encourage local blending capacity	MAFFS, MTI, SLSB	2014 - 2018	Trade barriers reduced as prescribed by the ETLS.	WB
	Manage input subsidy to minimize illegal cross border-trade	State House, MAFFS, MTI	2014 - 2018	Policy on input subsidy reviewed by 2014; Revised policy rolled-out and monitored through 2018.	WB
Building Effective Marine Management and Protection Systems for a Competitive Fisheries Sector					
Build capacity in the private sector at all levels to take up opportunities	Further development of policy, strategy, and a stewardship approach aligned to sustainable exploitation of fisheries resources as elaborated by fisheries management plans	MFMR, MLCPE, MFED	2013-2015	Bill enacted into an Act of Parliament, and revised strategy plan adopted using wealth-based management approach	EU, WB
	Development of an appropriate certification process for fish products for export as demanded by international standards	MFMR, State House, MHS, SLSB	2014-2016	Competent Authority location resolved; Certification/accreditation issues addressed and fishery products wholly acceptable in the international markets;	EU
	Adoption of recognized standards for suppliers to ensure responsibility in their own practices and	MFMR, SLSB	2014-2015	Standards developed for suppliers and enforced to ensure fish safety and quality	EU

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
	operations			across the fish value chain; Kilogram adopted as the unit of measurement in artisanal fisheries.	
	Establish mechanisms to obtain clear and realistic information about social and environmental conditions and market demands	MFMR, SLIEPA	2014-2018	Fisheries of Sierra Leone surveyed twice a year and results used to develop management plans and quota allocations; Access fees re-evaluated in the light of regional and world market levels.	WB, EU
	Build capacity in the sector through technical and other support	MFMR,	2013-2015	FMTI established, fully equipped and operational; Fisheries practitioners provided with scholarships for further education.	WB, EU
Create incentives to encourage investment in the fisheries sector and preserve marine resources	Operationalize fish landing sites at Goderich, Shenge, Bonthe and Tombo, and the fishing testing laboratory for export to EU and other markets	MFMR, SLSB	2013	Landing sites operational with private sector participation; Fishing testing laboratory for export to EU and other markets fully operational.	WB, EU
	Launch a comprehensive marine protection system for coastal waters through MCS system of patrol vessels, aerial surveillance, VMS system and dashboard	MFMR, JMC, Attorney General's Office	2013-2014	% Annual reduction IUU fishing achieved;	WB
	Handover the management of the 4 designated and gazetted marine protected areas to capacitated community management associations. Undertake studies to identify and designate potential areas for protection.	MFMR	2013-2014	Protected areas managed by CMAs; At least one area designated as a protected area over the period.	GoSL
	Construct a fishing harbor complex, landing clusters at Konacreedee including the 12km road to Lungi Airport, and provide cold storage facility at the Airport	MFMR, NPPA	2014-2017	Fishing harbor complex completed with attendant facilities, landing clusters built and equipped, road to Lungi constructed and cold storage facilities available at airport for fish products.	EU, WB
Facilitate integrated	Develop alternative markets for new products,	MFMR,	2014-2016	The potential/viability of regional/sub-	EU

Objective	Proposed Action	Responsible Entity	Timeframe	Performance Indicator	Funding Source/Donor Support
approaches to fisheries development	particularly at a regional level in West Africa	SLIEPA		regional market as potential fish export destinations established; Export aquaculture developed.	

Chapter 1: Sierra Leone's Trade Performance, Trade Policy and Implementation of the 2006 DTIS

1. This chapter reviews Sierra Leone's important economic developments and trade patterns in recent years, using available statistical information. Following this, we review the main trade policy developments and the impact they may have had on Sierra Leone. Then we discuss the process of trade-related policy formulation and implementation in the country, and we end with a comprehensive review of the status of implementation of the original Sierra Leone DTIS action matrix of recommendations from 2006.

Introduction: Growth, Employment and Poverty Context

2. Sierra Leone's trade takes place in a challenging context. Nearly a decade after the official end of the civil war, the economic situation in Sierra Leone is still difficult and the country remains among the poorest in the world. According to the International Monetary Fund (IMF), the country's gross domestic product (GDP) at US$ 615 per capita in 2012 was the 16th lowest in the world (out of 183 countries).

3. The country was able to achieve economic progress and restored macroeconomic stability in the years immediately following the civil war. GDP growth averaged 10.2 percent from 2002 to 2006 and with a relatively low fiscal deficit. Since 2006 the recovery continued at a lower overall rate averaging 5.6 percent annually, partly due to the global economic downturn, with a modest fiscal balance and per capita incomes moving in a positive direction. Since 2010 the fiscal balance has been rising sharply driven by increased domestically financed capital spending. From a low base, Sierra Leone was one of the fastest-growing economies in the world in 2012, driven by the onset of iron ore mining production. Double digit GDP growth was achieved in 2012 at 15.16 percent and this rate is forecast to be maintained through 2013 as iron ore production reaches capacity under the first phase of project development.

Table 2: Key Economic Indicators for Sierra Leone

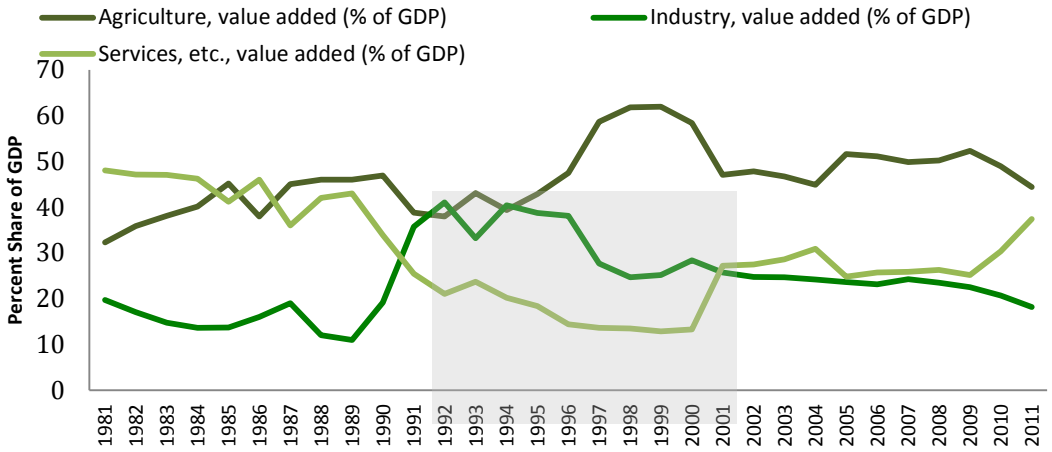
Indicator	Pre-Conflict 1980-1989avg	Conflict Years 1990-2001avg	Post-Conflict 2002-06avg	DTIS to DTIS Update 2007-11avg	2012	2013 (forecast)
GDP constant prices (% change)	0.6	-4.3	10.2	5.6	15.16	13.3
GDP/capita USD (current prices)	504	264	304	435	615.5	729.4
Inflation rate (% change)	63.0	38.4	8.0	14.4	13.8	10.3
Government revenue (% of GDP)	--	14.7	15.8	18.9	15.2	13.9
Government total expenditure (% of GDP)	--	21.5	19.0	17.9	20.4	17

Source: IMF World Economic Outlook Database (October 2013)

4. Sierra Leone faces an enormous challenge in its goal to reduce poverty rates. The country ranked 177th out of 187 countries in the 2012 United Nations Human Development Index. The population of around 6 million in 2011 is also extremely young—42 percent is under 15 years of age and another 34 percent is between 15 and 35. This means 76 percent of the population is considered as "youth", which is defined to include those who lost their younger years to the conflict. This poses a serious challenge for employment generation for Sierra Leone in coming years.[1] Poverty levels in Sierra Leone are among the highest in the world. The recently published Sierra Leone Poverty Profile, carried out jointly by the World Bank and Statistics Sierra Leone, shows that while overall poverty levels have dropped from 66.4 percent in 2003, poverty rate continues to be high at 52.9 percent in 2011[2].

5. Agriculture (including crops, livestock, fisheries and forestry) still plays a major role in economic output and employment. Agriculture suffered greatly during the conflict, but later rebounded as the conflict subsided. Value-added in the sector now comprises about 50 percent of value-added in the economy (Figure 1). Approximately 70 percent of the population derives its livelihood from this sector[3], including many from subsistence agriculture. Sierra Leone has many thriving rain-fed crops, including rice, maize, sorghum, millet, cassava, sweet potatoes, yams, groundnuts, bananas, plantains and cashews, and the predominant source of employment is in the production of these crops. Services, including tourism, contribute nearly 40 percent of GDP, a share that has been on the rise since the early 2000s, while industry (inclusive of mining and manufacturing) has made up about 20 percent over the previous decade, a share that will likely increase over the next few years in terms of contribution to total value-added.

Figure 1: Sectoral Contribution of GDP, 1981-2011



Note: The shaded area indicates the civil war years.
Source: World Development Indicators, World Bank.

6. The potential impact of the dynamic mining sector on the overall economy and on the performance of other sectors is a subject of important policy considerations. The discovery of

[1] African Development Bank (2012)
[2] World Bank (2013b)
[3] Sierra Leone National Export Strategy 2010-15

10.5 billion tons of high-grade iron ore deposits at Tonkolili, Marampa, and Bermbeye, has raised the prospect of significant additional fiscal revenues, but the timing and extent of this remains uncertain. Iron ore exports began in 2012. The potential range of immediate impact on economic variables was projected to be vast based on production: in late 2010 the IMF said annual mining export revenues by 2012 could range from $300 million to $3,300 million, implying royalties to the government of between $16 and $114 million. By October 2012, because of delays in extraction, the IMF revised its estimates of mining production, and the impact on the economy and fiscal revenues was far less than earlier planned (Table 3).

Table 3: Mining Sector Revenue and Growth Forecasts, 2010 and 2012

	2012 Predicted	2012 Revised
GDP growth (annual % change)	51.4	19.7
Fiscal revenues (% of non-iron ore GDP)	13.8	12.2
Export revenues (US$ million)	299	232

Source: IMF Article IV (2010) and IMF Staff Report (2012.)

7. Export windfall revenues from mining create a concern about *Dutch Disease,* and its attendant effects on the competitiveness of non-resource exports through appreciation of the real exchange rate. When an economy experiences a large increase in income, generally due to exports of natural resources, the currency becomes stronger, making the country's non-oil exports more expensive and, therefore, less competitive. This appreciation of the currency expands the non-tradable sector at the expense of the tradable sector. Notwithstanding any monetary intervention by the authorities, the export sector, including service export industries like tourism, could bear the brunt of these changes. Under these circumstances offsetting any decline in overall competitiveness requires productivity gains. Sierra Leone has experienced an appreciation of its real exchange rate of 27 percent from the fourth quarter of 2010 to the fourth quarter of 2012[4]. However, periodic assessments by IMF staff indicate that the real exchange rate is broadly in line with its long-run equilibrium and therefore does not give rise to immediate concerns relating to Dutch Disease at this time[5].

8. Another development in Sierra Leone's economy relates to hydrocarbons. Indications are that an offshore petroleum system exists on the Sierra Leonean side of the Sierra Leone/Liberia Basin. At this point, however, the extent of Sierra Leone's hydrocarbon reserves is unknown and commercial viability remains to be established. Production lead time is estimated to be at least between five and seven years. The oil discovery will primarily impact on the economy through the budget with additional revenues. The effects of these large-scale developments on the national population would largely be indirect through the improved social services and infrastructure delivery by government (Box 1).

[4] International Monetary Fund (IMF), International Financial Statistics.

[5] It should be noted that external stability is particularly difficult to benchmark for an economy like Sierra Leone due to poor data and short historical time series.

Box 1: Expected Impact of Potential Development of Hydrocarbons in Sierra Leone

With reference to a study conducted on the economy-wide effects of oil discovery on Ghana[6], it is envisaged that the following impacts on the economy of Sierra Leone could be expected.

Impact on the economy: The oil discovery will primarily impact the economy through the budget. As it is located off-shore and requires equipment and expertise not yet available in Sierra Leone, the extraction of oil will not generate significant backward linkages (in terms of demand for domestic inputs and upstream activities) in the short to medium term. And unlike gas, forward linkages and related downstream activities are also expected to be minimal, except for their impact on the budget.

Oil revenue: Revenue from the operations is likely to be shared between the government and foreign companies, with the assumption that the latter will repatriate all their revenue abroad. There should be a limited multiplier effect on GDP by oil exports as the proceeds would not remain in Sierra Leone.

Direct job creation: A local staffing content would be on the order of 40-60 percent in the initial years. During construction, higher numbers can be expected. Sources of employment would include management and administrative officers and personnel at supply bases, aviation and port facilities and on rigs and supply vessels.

Local goods and services: The local content of supplies to the oilfield would be low in the construction phase in terms of equipment and services needed for installation because of the high level of specialization. In the production phase, there is likely to be improved scope for consumables to be procured locally and for Sierra Leone-based enterprises to supply a range of non-specialist services.

Downstream processing: It is expected that there would be no price or marketing advantage by selling crude to a domestic refinery, as a result the crude would readily find buyers in the international oil market.

Source: World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming).

II. Sierra Leone's Trade Performance Since 2006

9. Turning to trade performance of Sierra Leone since 2006, this section places the country's performance in the context of regional peers, as well as in the context of global trends, most strikingly the global economic crisis and slow recovery that depressed trade starting in 2009.[7]

10. A major barrier in performing analysis of the economic situation, and in particular the situation in trade, is the lack of complete and reliable statistical coverage. This is the result of a combination of factors, such as underreporting of trade by regional partners, the informal nature of a significant share of agricultural cross-border trade with neighboring countries, and limited statistical capacity. Regional trade through informal channels is a topic that will be addressed in some detail later in this report.

[6] World Bank (2009) Economy-Wide Impact of Oil Discovery in Ghana.

[7] We also include two additional time posts starting with the immediate pre-conflict period of 1989-1990 and the years immediately after the conflict period, 2002-03.

2.1 Trade Openness and Balance

11. Sierra Leone has increasingly become dependent on imports since the end of the civil conflict, while exports have grown more modestly. Sierra Leone's trade balance has been widening since 2006. With an influx of imports during the construction of the two new iron ore mines, in 2011 the trade balance reached a record of minus US$930 million, then following completion of construction in 2012 to around minus US$300 million due to the drop in imports. Export growth has been disappointing and has fluctuated widely since 2006, with exports increasing from US$288 million in 2006 to an estimated US$425 million in 2012, registering an annual average growth rate of 9 percent over the period (Figure 2). By contrast the U.S. dollar value of imports averaged an annual increase of 17 percent. With iron ore production picking up pace, it is expected that Sierra Leone will register robust export growth over the next two years.

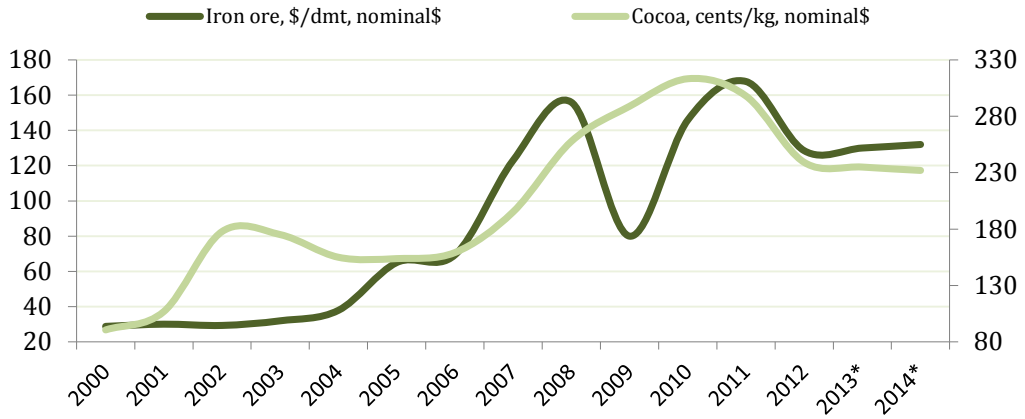
Figure 2: Sierra Leone's Trade Volume and Balance, 2002-12 (US$ million)

Source: UN COMTRADE.

12. As a small economy of 6 million people and with total GDP at purchasing power parity terms at less than $7 billion in 2011[8], trade openness is essential to Sierra Leone. But with exports at just 11 percent of GDP and total trade at around 30 percent in 2012[9], Sierra Leone is not a relatively open economy. This does not necessarily imply greater trade policy restrictiveness in Sierra Leone, but could partially be a result of the drop in global demand and commodity prices. The global price of Sierra Leone's key export commodities iron ore and cocoa fell sharply in 2012, and are predicted to stay relatively stable over the next two years (Figure 3).

[8] IMF.
[9] Based on IMF GDP forecast for 2012 and UN COMTRADE Data.

Figure 3: Average Global Prices for Sierra Leone's Major Export Products

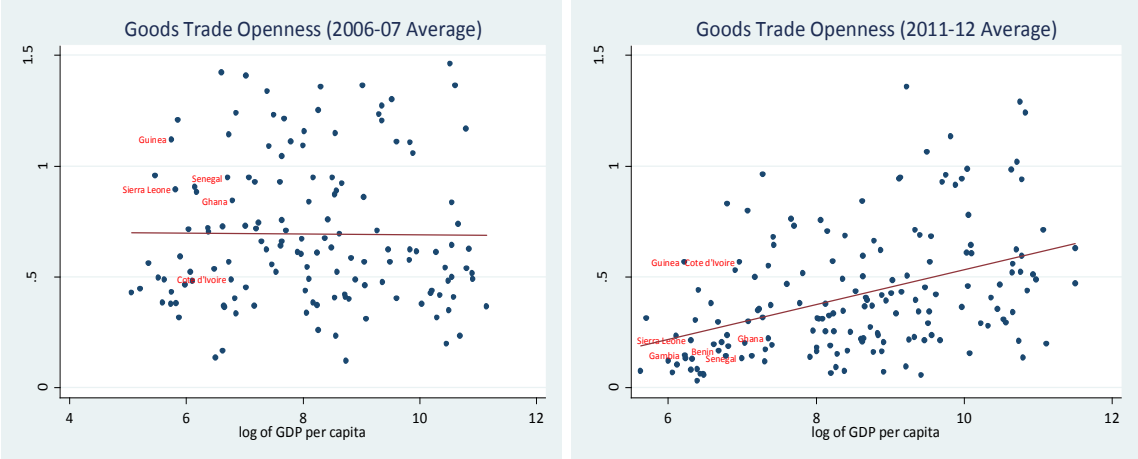


* Forecast

Source: World Bank (Global Economic Outlook Report).

13. Sierra Leone's trade performance, as measured by openness to goods trade, has not improved over the period covered by the 2006 DTIS. While the 2006-07 and 2011-12 ratios of trade-to-GDP for Sierra Leone were both below the benchmark for a country at its level of economic development, the ratio had worsened by 2011-12, indicating that Sierra Leone's trade performance remained poor (Figure 4). This evolution has been fuelled mainly by the decline in the country's export performance since 2006, relative to GDP growth. Given that a large portion of construction has been completed to make the mines operational, imports to support the mining sector are not expected to be as high, thus, openness is likely to increase in coming years given the expected expansion in exports of mining products.

Figure 4: Sierra Leone Has Become Less Open to Goods Trade since 2006



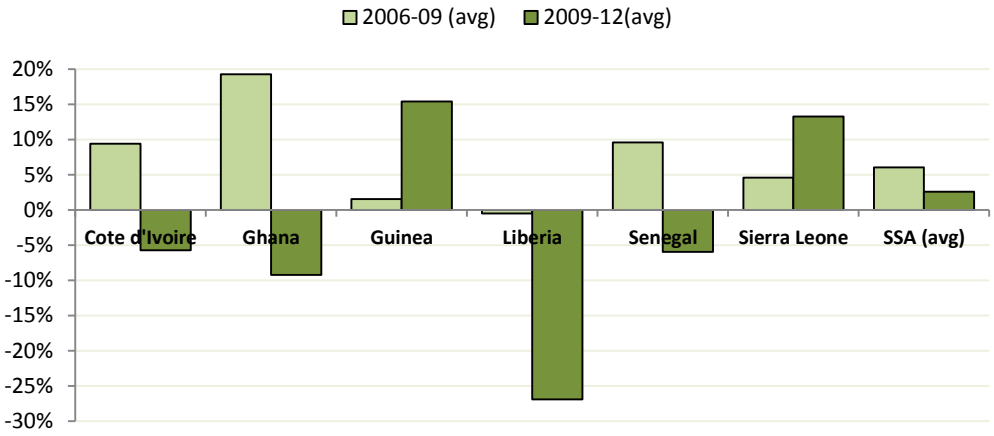
Note: Openness in goods trade (exports plus imports over GDP) are plotted against the log of income per capita in U.S. dollars, after controlling for population.

Source: UN COMTRADE (exports and imports value) and IMF (GDP and population, 2012 projection).

2.2 Direction and Composition of Exports

14. Exports are growing slowly, but it becomes difficult to ascertain the success of the recent trade-related reforms using aggregate export growth because starting in 2009 the global economic crisis depressed trade globally. Sierra Leone, along with Guinea, registered higher export growth in the three years following the economic crisis then it did the three years prior to the global downturn (Figure 5). Other regional economies like Côte d'Ivoire, Liberia, Senegal and Ghana all experienced, on average, negative export growth for the period from 2009 to 2012, which witnessed a drop in global prices and demand facing key exports, particularly from traditional markets like the European Union (EU).

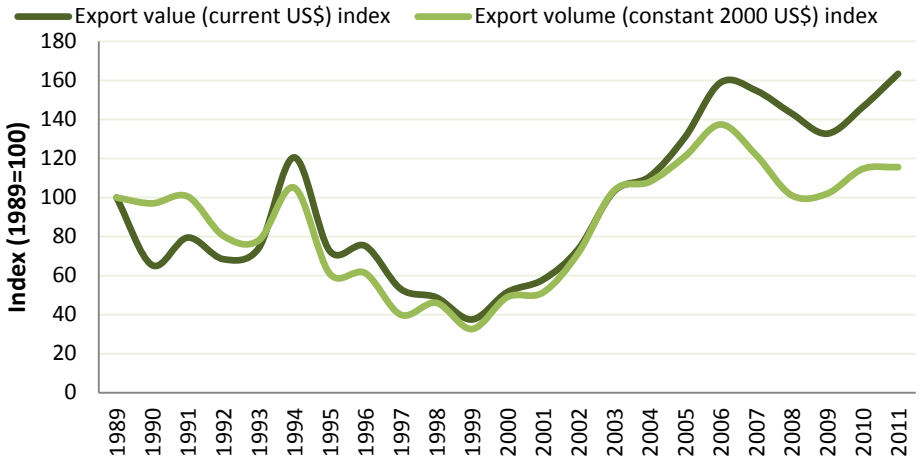
Figure 5: Annual Export Growth Rates, Pre and Post Global Economic Crisis



Source: UN COMTRADE.

15. After the end of the civil war in 2002, export revenue growth expanded at 29 percent annually between 2002 and 2006. Sierra Leone regained its pre-conflict export volume level by the mid-2000s. By 2010-11, exports levels were above the 2005-06 level in terms of value. When taking account of the price effects of the mid-2000s commodity boom, however, export volumes were below the 2005-06 levels. The crisis reduced export receipts annually at -5 percent from 2007 to 2009, and as Sierra Leone's main trading partners are European countries, the economic crisis and slow recovery are likely to have been a major factor. Nevertheless, export growth resumed at an annual rate of 12 percent from 2009-11.

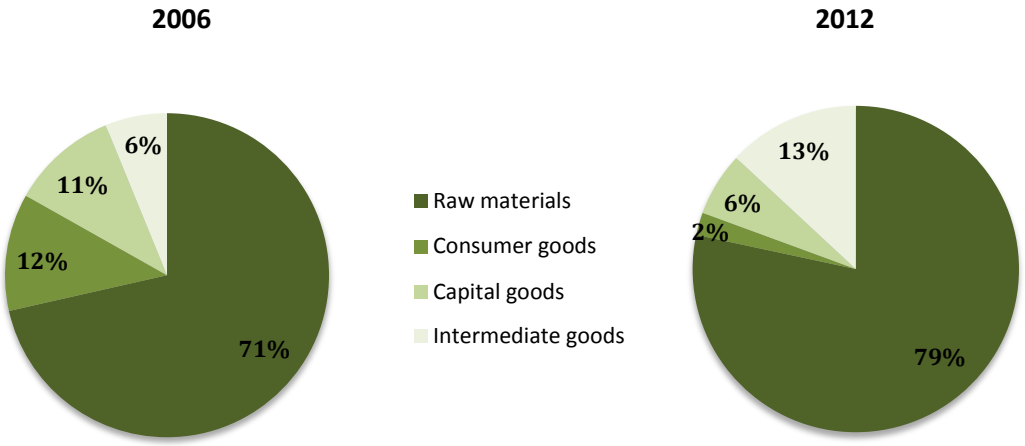
Figure 6: Sierra Leone's Value and Volume of Total Exports, 1989-2011



Source: World Bank staff estimates based on data from World Development Indicators.

16. Sierra Leone remains reliant on exports of raw materials with a few primary mineral and agricultural commodities dominating the export basket. Exports of raw materials has grown from 71 percent of total exports in 2006 to 79 percent in 2012. In contrast, the share of consumer goods exports dropped from 12 percent of total exports to just 2 percent over the same period, while intermediate goods exports registered solid growth from 6 percent to 13 percent.

Figure 7: Sierra Leone's Exports by Level of Processing, 2006 and 2012



Source: UN COMTRADE.

17. The era of reliance on diamonds as the single mining commodity has come to an end. Other mining products now include zircon, ilmenite, rutile and bauxite, with iron ore exports expected to surge in the coming years. Diamonds remained the largest export commodity by value through 2011, though their share has declined since 2006, from 41 percent of total exports to 29 percent in 2011, while other mining products like titanium ores and concentrates (rutile) have

grown impressively from $US21 million to $US120 million. High world demand and prices witnessed until 2011 increased the incentives for further exploration and extraction of minerals in Sierra Leone, with the mining sector in total accounting for about 60 percent of export revenues.

Table 4: Composition of Sierra Leone's Goods Exports, 2006 and 2011 (US$ million)

2006				2011	
	Value	**%**		**Value**	**%**
Diamonds	118	41%	Diamonds	122	29%
Aluminium ores and concentrates	31	11%	Titanium ores and concentrates	120	29%
Cocoa	22	8%	Vessels and other floating structures	45	11%
Titanium ores and concentrates	21	7%	Cocoa	34	8%
Machinery	9	3%	Aluminium ores and concentrates	31	7%
Palm Oil	7	2%	Niobium, tantalum, vanadium or zircon	9	2%
Other	79	28%	Other	57	14%
Total	***287***	***100%***	***Total***	***418***	***100%***

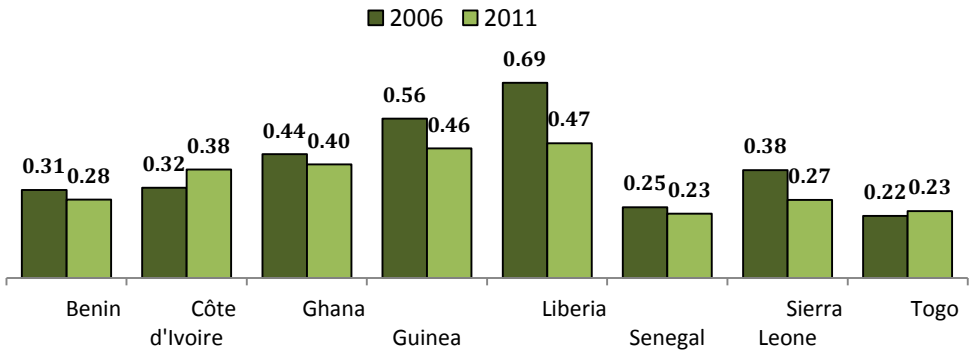
Source: UN COMTRADE.

18. Manufacturing products are nearly one-quarter of official exports reported to UN Comtrade, including some light manufactures produced by Sierra Leone. The share of manufacturing in total value-added in the economy is quite low, at around 2 percent of GDP, so it is likely that most of these manufacturing products recorded as exports are actually re-exports (goods that are imported and then re-exported without any value-addition in the country).

19. Has merchandise export concentration increased or decreased since 2006? Various measures can provide an indication of the level of concentration of Sierra Leone's exports. The top five export products at the HS six-digit level comprise 65 percent of export revenues, roughly the same percentage as 2006. The total number of goods exports in 2011 is largely the same as 2006. The Herfindahl-Hirschman (HH) Index[10], however, indicates a slight reduction in concentration beginning in 2006, from 0.38 to 0.27 (Figure 8). This is a low overall level of concentration as compared to regional peers, which may be due to the number of manufactures that are showing up in the export basket, possibly as re-exports. As a reflection of increasing concentration in mining exports, this index is likely poised to increase over the coming years.

[10] The HI measures the export concentration and is calculated as sum of squared shares of export product values. The HI lies between 0 and 1, where 1 represents exports that are extremely concentrated (only one product), and 0 stands for a completely diversified export basket. Economies with an index below a threshold 0.1 are considered to have a highly diversified export basket.

Figure 8: Concentration of Sierra Leone's Goods Exports, 200 and 2011



Source: UNCTAD.

20. In terms of direction of exports, official statistics show trade continues to be very concentrated in European markets, but some diversification to new markets seems to have occurred since 2006, as the share going to Europe has declined. The EU remains the Sierra Leone's single largest trading partner, receiving around 60 percent of goods exports in 2012, although this share has decreased from 80 percent in 2006. Exports to the European Union, with Belgium the biggest export market, are mainly diamonds (worth more than US$122 million in 2012)

Table 5: Sierra Leone's Goods Exports by Destination Market, 2006 and 2011

2006			2011		
Destination	**US$ mill.**	**% of exports**	**Destination**	**US$ mill.**	**% of exports**
Belgium	119	42	Belgium	180	41
United States	44	15	Japan	76	18
Germany	24	8	Turkey	48	11
France	20	7	Romania	31	7
Poland	16	5	United States	19	4
Netherlands	14	5	Germany	16	4
United Kingdom	8	3	United Kingdom	12	3
Others	43	15	Others	42	11

Source: UN Comtrade.

21. During the period covered by the DTIS Update, new partners have emerged as export destinations such as Turkey and Romania. The U.S. and Japan are also important export destinations with exports totaling more than US$75 million and US$19 million, respectively in 2011, dominated by commodities from the extractive sector, such as diamonds and titanium.

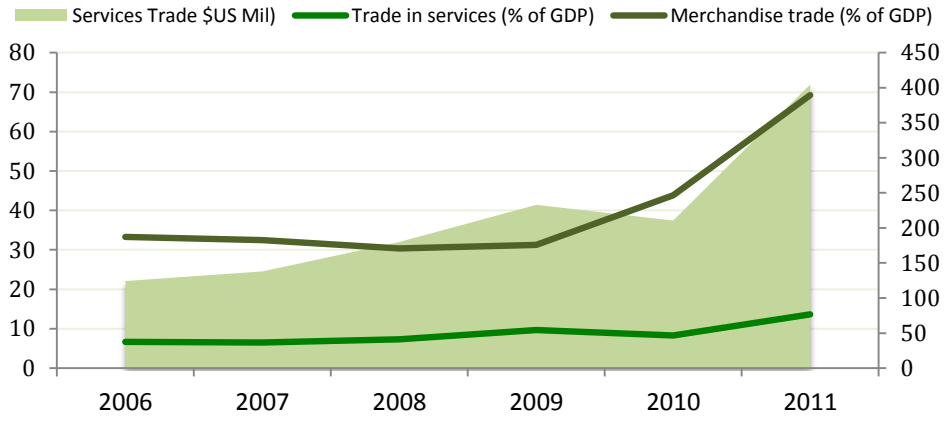
22. In terms of intraregional trade, exports to regional countries barely register in the official trade statistics. For example, the share of exports to ECOWAS members averaged 8 percent of total exports in 2010-2011, an increase from 3 percent in 2006-2007. As noted above, this is likely to be an underrepresentation of the overall level, especially given the significant amount of informal trade that exists. Trade with neighbors Liberia and Guinea is not even captured in official statistics, given the large volume of trade between these countries, especially after the rehabilitation of the Freetown-Conakry Highway, trade between MRU countries should be quite

significant. There is an urgent need for an integrated mechanism for collection of cross-border trade data, both formal and informal, a topic that is discussed in detail under the trade facilitation and logistics chapter.

2.3 Services Trade and Foreign Direct Investment

23. Sierra Leone's trade in services has grown steadily since 2006 from 7 percent of GDP to 14 percent in 2011. This growth, however, has been a lot slower in comparison to the growth in merchandise trade over the same period, which grew from just over 30 percent of GDP in 2006 to around 70 percent in 2011 (Figure 9).

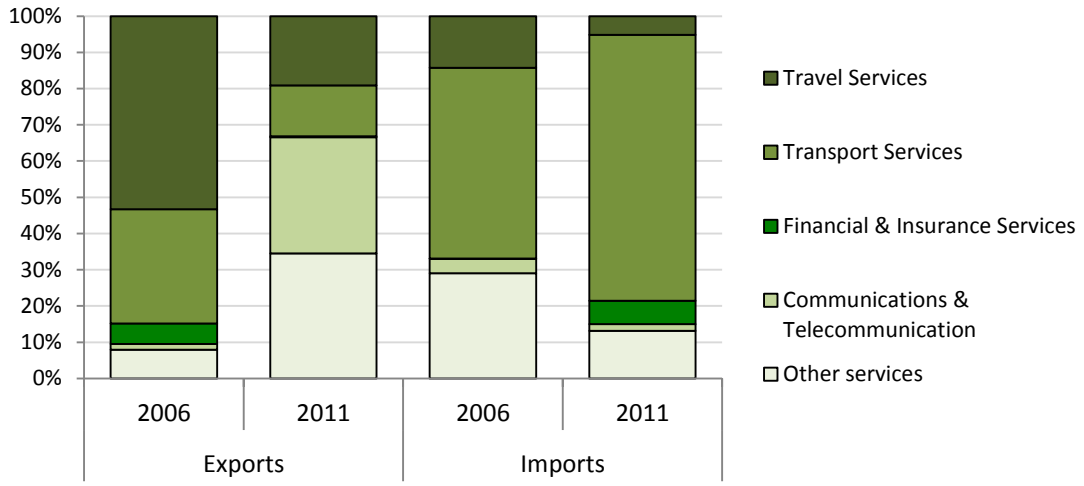
Figure 9: Services trade growth has been slower than merchandise trade



Source: World Development Indicators, World Bank.

24. Service exports increased from US$40 million in 2006 to US$156 million in 2011, while services imports increased from $US83 million to US$248 million over the same period. As the mining sector and FDI has expanded, trade in related services has also increased. Other services which covers sectors like construction and royalties and fees has expanded from 8 percent of service exports in 2006 to around 34 percent in 2011, while Information and Communications Technology service exports also grew from just 1 percent to almost 30 percent over the same period. The share of travel (business and personal) and transport (freight and passenger) services exports declined significantly from 2006 to 2011.

Figure 10: Composition of Sierra Leone's Services Trade, 2006-2011

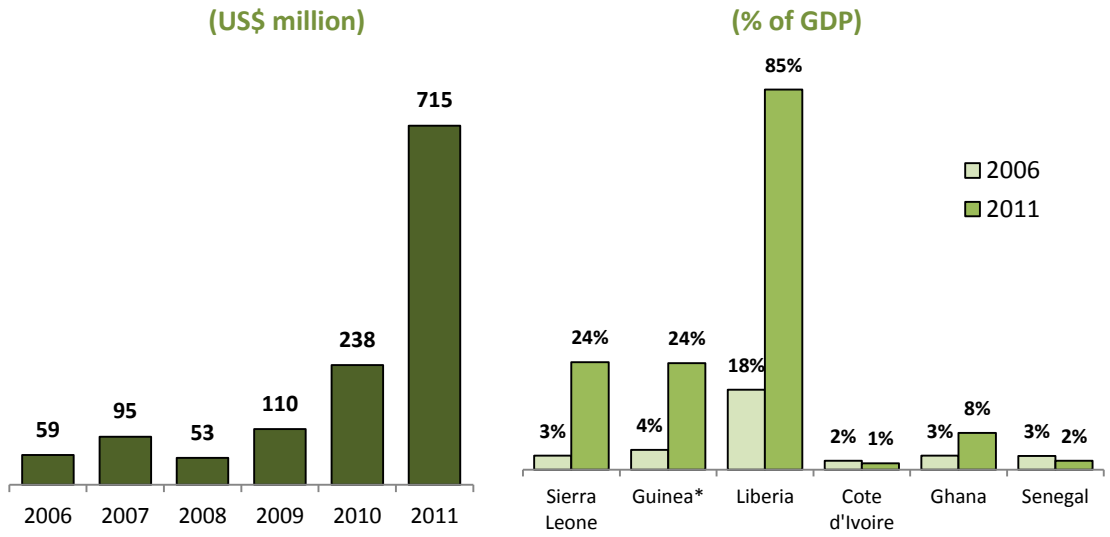


Source: IMF Balance of Payments Statistics.

25. Foreign Direct Investment (FDI) flows can be a key part of total investment and a vector for skills and technology transfer. Sierra Leone's FDI inflows, as recorded in Balance of Payments statistics have recently increased, particularly in the past couple of years, rising from US$59 million in 2006 to US$715 million in 2011[11] (Figure 11). A survey by the Sierra Leone Investment and Export Promotion Agency (SLIEPA) of foreign private capital also reported figures which showed that foreign direct equity investment stock, of which FDI comprises 99 percent, increased substantially from US$498 million to US$1.3 billion in 2010, reflecting a net capital inflow of US$742 million. The improvements in FDI inflows can be attributed to the return of normalcy and stability during the post-war period, the new legal framework[12], government reforms to improve the business climate, and the upswing in global commodity prices until 2011, particularly for metals and minerals.

[11] Official FDI data for 2012 is not yet available to report (as of April 2013).
[12] Sierra Leone Investment Promotion Act No. 10 of 2004.

Figure 11: Sierra Leone's FDI Inflows, 2006-11



*Source: WDI based on Balance of Payments data (*UNCTAD)*

26. Attracting FDI from outside the extractives sector will remain a challenge in the coming years. Sectoral data on FDI from the SLIEPA survey indicate that the bulk of FDI stock was held in the mining sector; combined with transport, storage and communications, it made up 95.8 percent of FDI. These inflows likely had limited impact on employment and immediate poverty reduction. Long-term employment impact is muted because while jobs are created in the construction of mines, industrial mining requires fewer workers after the mines are operational.

III. Trade Policy and Institutions

3.1 Overview of Key Policies and Institutions

27. The Ministry of Trade and Industry (MTI), as custodian of the sector, is responsible for trade policy development and implementation, in coordination with related entities under the umbrella of the Ministry like SLIEPA and the Sierra Leone Standards Bureau (SLSB). The country's trade policy is guided by a number of trade related policies and strategies, most of which have been developed since the 2006 DTIS. These include the National Export Strategy, (2010), developed under the leadership of SLIEPA with support from the Commonwealth Secretariat, and which aims to improve the national export performance through a focused approach to export development. Other related policies include the Local Content Policy and, to a lesser extent, the SME Policy. In addition, a SEZ/EPZ Policy, Consumer Protection Policy and Bill, Competition Policy, and Industrial Policy have been drafted and are pending Cabinet approval.

28. The existence of a number of trade-related strategies and policies necessitated a consolidation of these in to one coherent overarching strategy to guide both policymakers and the private sector in implementing trade policy in Sierra Leone. The Sierra Leone Trade Policy, introduced in 2010, sets out to provide a harmonized and coherent reference for trade development in Sierra Leone.[13] The implementation of the Trade Policy is guided by a Trade

[13] Sierra Leone Trade Policy (2010).

Support Program, a complementary document based largely on the 2006 DTIS Action Matrix, which helps operationalize the key recommendations and actions in the policy. It is expected that the DTIS Update, by providing input to the upcoming PRSP-III, will guide the Sierra Leone Trade Policy in enhancing implementation and create synergies with the new PRSP.

29. An EU funded institutional support project focused on increasing the gains from international trade was implemented over 2010-2011, which resulted in the reorganization of the MTI. The implementation phase of the project has come to an end with an overall satisfactory result.[14] Another institutional capacity building program targeting the MTI was supported by the UN and developed to build capacity of the MTI to participate in Economic Partnership Agreements (EPA) negotiations. As part of the program, a national sensitization workshop on EPA negotiations was carried out by the MTI.

Quality Infrastructure

30. Other actions undertaken by the MTI include measures to improve standards and the quality infrastructure. Sierra Leone's current Quality Infrastructure is made up of the SLSB and the regulatory agencies of the Line Ministries namely: Environmental Health Division, Pharmacy Board of Sierra Leone, National Water Quality Laboratory, Fisheries Department, Crop Protection Services, Animal Health & Livestock Division and the Commodity Market Monitoring Unit.

31. In 2010 the Metric System was adopted by enactment of the Weights and Measures Act[15], which was followed by a nationwide sensitization initiative. Another key policy developed by the MTI is the National Food Safety Policy. This draft policy, which is aligned with the EU Directive on Food Safety, aims to consolidate laws relating to the food safety management, and will eventually establish a Food Safety Authority for regulating the manufacture, storage, distribution, handling, and export and import of food.[16] Other noteworthy measures implemented by the MTI/SLSB include the following:

- SLSB together with the Ministry of Agriculture, Forestry and Food Security (MAFFS) prepared a National Phyto-sanitary Policy and a Phyto-sanitary Pest Control and Import Quarantine System Bill in 2010;
- The SLSB received equipment for microbiology, and glassware for the chemical laboratory and staff was trained in laboratory quality management systems with support from UNIDO. This was part of the West Africa Quality Programme (WAQP) to support three national food testing laboratories to build the capacity of human resources, infrastructure, documentation, and equipment to international standards in preparation for receiving international and regional accreditation; and,
- Technical Manuals for microbiology and chemical and quality management systems have also been developed.

Currently, UNIDO and the SLSB are currently supporting the construction of a metrology building at the SLSB premises which is being funded by the Norwegian Agency for Development Cooperation.

[14] The Second Joint Progress Report on the Agenda for Change, March 2012.
[15] Weights and Measures Act No.5 of 2010.
[16] The Second Joint Progress Report on the Agenda for Change, March 2012.

However, long-term investments in equipment and capacity building of technical staff must be undertaken by the GoSL to ensure sustainability of this activity.

32. Stakeholder consultations revealed, however, that these laboratories were not yet fully operational and were underutilized, hence, preventing regional and international accreditation being received for the country's exports. Sierra Leone's ability to meet commercial quality requirements and comply with international standards remains inadequate to access international markets, and the SLSB requires further support to build upon what has been achieved through the WAQP over the past few years. Furthermore, exporters are in need of assistance in areas like information regarding the regulatory and market requirements for their product or service, services to determine compliance of the product or services with standards, support in redesigning the product or service until requirements for compliance with regional and international standards are met successfully.[17]

33. In conclusion, the MTI requires extensive support in the medium-term to upgrade and strengthen its overall quality infrastructure in order to ensure compliance with international standards, increase global competitiveness of its private sector, and expand market access for its export products. To achieve this objective, however, support should not be limited to the SLSB and other public agencies involved in developing the national quality infrastructure, but should also include the private sector to ensure that suppliers of goods and services are informed and capacitated to comply with principles of quality, both national and international.

Coordination Issues

34. In order to create a coherent and harmonized environment for trade policy formulation and implementation as proposed in the updated Action Matrix, it is essential that the coordination mechanism for trade policy be strengthened. An effective public-private sector consultative mechanism with the capacity to initiate and influence trade policy is needed to successfully implement the updated Action Matrix and trade related areas of the PRSP-III. The private sector in Sierra Leone is characterized by a large number of small actors, most of which operate informally. Previous efforts to create a framework for public-private dialog have yielded limited success, mostly due to lack of capacity of private sector associations to effectively influence public policy dialog on trade.

35. Donor coordination is another issue for more effective trade strategy formulation and implementation. As a result of trade not being mainstreamed in to the PRSP-II and the lack of an effective donor-government consultative mechanism, coordination among donors has been fragmented in trade related areas.

36. Going forward, it is crucial that these existing policies, strategies and institutions work in synergy with the DTIS Update and the relevant pillars under the upcoming PRSP-III to ensure a harmonized and coherent policy environment to guide resource mobilization and implementation over the next five years. It is also important that the various agencies under the MTI enhance collaboration in order to work together more effectively in expanding market access for Sierra Leone's exports. Agencies like the SLSB and SLIEPA are well placed to make improvements in areas like information sharing to ensure stronger support systems for the export community. Lastly,

[17] SLSB

coordination mechanisms between trade policy institutions and the private sector and donors need to be strengthened.

3.2 Tariff Structure

37. Sierra Leone's trade policies are relatively open and tariff barriers have essentially been eliminated. Tariff rates are consistent with those of neighboring MRU and ECOWAS members. Import and export licenses have been abolished for all but a small number of products. Tariff schedules are not always transparent and adequately communicated to the trading community, resulting in inaccurate and arbitrary assessments, which are difficult to challenge by traders.

38. Sierra Leone, was a contracting party to the General Agreement on Tariffs and Trade (GATT), and became a World Trade Organization (WTO) member in 1995. Tariff liberalization has been successful in Sierra Leone and has liberalized far beyond WTO bindings. The country applies seven tariff rates: 0 percent, 5 percent, 10 percent, 15 percent, 20 percent, 25 percent and 30 percent.

39. Import duties are levied consistent with the ECOWAS Common External Tariff (CET): The ECOWAS CET was formally adopted on March 22, 2013, which consists of 5 tariff bands (0, 5, 10, 20, and 35 per cent). Sierra Leone applies 0 percent for essential social goods; 5 percent for raw materials, 10 percent for intermediate goods; and 20 percent for finished goods; 35 percent for specific goods of economic development. Very few items are currently outside the scope of CET ban, with the most noteworthy being imported beer and soft drinks, which are subject to a 30 percent import duty.

40. The average effective applied tariff, which includes the excise tax and ECOWAS preferential rate, was 12.9 percent in 2011, according to data compiled by UNCTAD. The tariff reflects a concentration of tariff lines on three of the seven rates in force: 5, 10 and 20 percent. Although preferential rates are close to zero, applied tariffs may be higher because countries maintain exceptions. Sierra Leone applies a slightly higher applied tariff (12.9 percent) than its ECOWAS comparators (Table 6).

Table 6: Simple Average Tariff Levels, Sierra Leone and Selected Comparators, 2010-11 (percent)

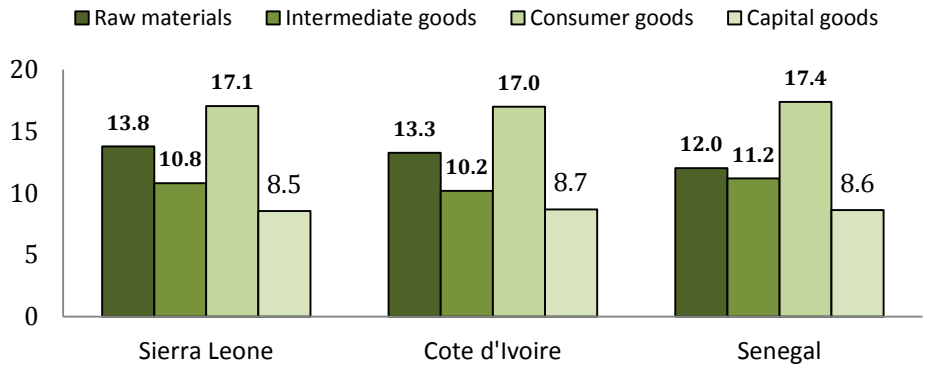
	All Imports		Imports from ECOWAS	Imports from MRU
	Applied	MFN	Applied	Applied
Sierra Leone	12.9	12.7	12.9	13.1
Côte d'Ivoire	13.0	12.5	10.7	13.1
Guinea	13.5	12.9	12.7	13.0
Senegal	13.4	12.6	9.2	5.4

Note: Guinea's tariffs data are for 2010.
Source: UNCTAD Trains.

41. Regional integration has been a driver of tariff liberalization for the region. Tariffs of both Côte d'Ivoire and Guinea on ECOWAS imports are lower than applied tariffs overall. This is not yet the case for Sierra Leone's imports. Sierra Leone's tariffs are being harmonized with those of other

ECOWAS members that now apply the CET, but implementation is not yet complete. The members have decided on all five levels, however, the products that are to be covered under the fifth band that is yet to be agreed on for Sierra Leone.

Figure 12: Applied Tariff by Level of Processing Sierra Leone and Comparators, 2011



Source: UNCTAD Trains.

42. The impact of tariffs not only depends on the tariff applied in final goods in a particular sector but also the tariffs applied on intermediate inputs used in production. Sierra Leone's tariff structure includes finished consumer goods at higher tariff rates than intermediates, but raw materials taxed at higher rates than intermediates. This pattern is similar to regional peers, but one that may not be advantageous to producers of value-added goods. It may be undermining the growth of processing industries and restricting the growth of regional value chains.

3.3 Non-Tariff Barriers

43. Despite Sierra Leone's trade policies being relatively open and tariff barriers having essentially been eliminated, a number of non-tariff barriers (NTBs) remain, which continue to hamper trade and competitiveness. NTBs can be defined broadly as restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly[18]. NTBs also include unjustified and/or improper application of sanitary and phytosanitary (SPS) measures and other technical barriers to Trade (TBT).

44. While there has been some improvement in tackling NTBs in the form of import/export permits and prohibitions, a wide range of NTBs and regulatory measures restrict intra-regional trade in particular. The nature of specific NTBs and the sectors they impact is examined in detail within the context of the sector studies and chapters on cross-cutting issues. The following present a summary of the most commonly observed NTBs restricting trade in Sierra Leone.

45. Among the most commonly observed NTBs are customs, entry and transit procedures in terms of lack of effectiveness and coordination among institutions involved, arbitrary use of rules of origin, excessive verification of transit cargo, lack of knowledge and/or willingness of officials to implement rules and procedures adopted under ECOWAS and MRU protocols. Also, complex, opaque and country-specific rules continue to add to trade costs and loss of time. Unequal

[18] TradeMark SA (Tripartite NTBs Reporting, Monitoring and Eliminating Mechanism)

treatment according to the country of origin of the goods and/or truck and opportunities for fraudulent behavior remain frequent. In addition, delays at the numerous weighbridges and non-harmonization of authorized weight per axle, etc. add to the cost and time of trading. Distribution restrictions such as multiple police roadblocks cause delays and opportunities for corruption and extortion. The continued use of arbitrary and mostly reciprocal import/export bans also act as a NTB and limit cross-border trade with neighbouring Guinea and Liberia.

46. These NTMs and NTBs impose significant trade costs on all involved in trade in Sierra Leone. The largest costs of these NTMs stem from (i) lost man-days during transit and clearance before reaching the market, and (ii) informal payments and costs related largely to the scope for corruption in the implementation of policies, followed by (iii) official payments, and (iv) lost business opportunities.

3.4 Bilateral and Regional Trade Agreements

47. In terms of bilateral arrangements with major markets, the relationship with the EU may soon change while the relationship with the United States will be steady through 2015 as Sierra Leone is eligible for trade preferences granted by the United States under the African Growth and Opportunity Act (AGOA), which runs through 2015. Sierra Leone currently benefits from one-way preferential access to the European market, its largest trading partner, through the European Commission's (EC) "Everything but Arms" (EBA) initiative for least developed countries. In addition to the EU and the United States, Sierra Leone also has a preferential trade agreement with China covering 95 percent of Sierra Leonean products.

48. The EU is negotiating an EPA with ECOWAS alongside other regional trade blocs within the Africa, Caribbean and Pacific (ACP) group of states. Sierra Leone is participating in these negotiations,[19] which will entail granting EU producers the level of access to its own domestic market that Sierra Leone now enjoys in the EU. In addition, the agreement will likely provide for liberalization of trade in services, a regulatory agenda to promote investment and competition, and institutional provisions to facilitate trade. The agreement could have an adverse impact on the economy unless Sierra Leone is able to improve the competitiveness of its products. The extent of coverage of the agreement, pace of tariff reduction, exact products liberalized and the extent of European aid to facilitate trade are all negotiable components that will determine the impact on growth, trade, regional integration, poverty and fiscal revenues. One recent study found economic growth in the region would suffer if the agreement breached a certain liberalization threshold due to pressure on domestic producers, and that ECOWAS countries would fare differently based on the pace of tariff reductions and the products liberalized.[20] Countries in the ECOWAS region would likely see fiscal revenues decrease, as Europe is a major source of imports.[21]

49. Regionally, Sierra Leone is a member of ECOWAS, which, since 2004 has granted preferential treatment on the products that were liberalized in the WAEMU. In practice, however, internal liberalization has been slow to arise. In order to further the realization of the free trade area, the ECOWAS Trade Liberalization Scheme (ETLS) was created. The scheme allows products

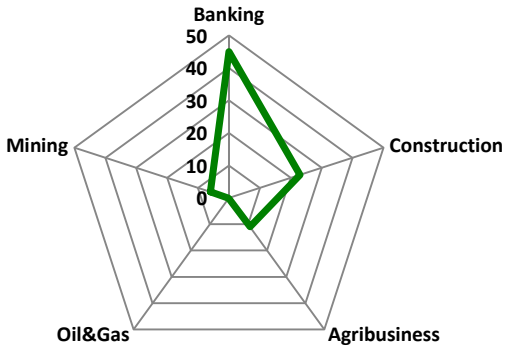
[19] Because of delays in negotiations, about 20 interim bilateral free trade agreements were signed to allow continued EU market access. Cote d'Ivoire and Ghana were the two ECOWAS countries that signed these agreements although implementation of these agreements on the side of African countries is not complete.
[20] Friedrich-Bert-Stiftung 2011.
[21] Zouhon-Bi and Nielsen 2007.

originating from member states to be exported duty free and without quota restrictions to other member states provided they meet the criteria of 30 percent value addition and 60 percent local content requirement. All imports meeting the ETLS Rules of Origin criteria from other ECOWAS countries to Sierra Leone attract zero customs duty under the ETLS which Sierra Leone is currently implementing.

50. The major challenge facing Sierra Leone in the implementation of the ETLS is that very few domestic companies are able to benefit from the ETLS. According to the National Export Strategy (2010-2015), Sierra Leone has not been able to take advantage of the scheme, losing much needed revenue while other ECOWAS nations are consistently increasing their exports to Sierra Leone.[22]

51. Companies in Sierra Leone also have greater difficulties meeting the local content requirement than those in neighboring countries. The main challenge facing firms in Sierra Leone in meeting local content requirements stems from weak productive capacity of the private sector. Moreover, the small number of firms that actually do have the productive capacity to utilize raw materials tend to import from markets outside ECOWAS. Another factor contributing to low local content utilization rates in most sectors is that firms lack knowledge of the existence of the scheme. Corporate actors that are familiar with the ETLS lack of familiarity with the local content policy and associated requirements, but most importantly lack capacity to meet external market demands.

Figure 13: Sierra Leone's Local Content Utilization (%)



Source: DFID (2013).

52. The oil and gas sector has the lowest utilization rates as the companies have well established global supply arrangements, which limits the potential for local supply (Figure 13). The banking and construction sectors have the highest local content utilization rates (45.6 percent and 23.5 percent respectively) because these sectors do not benefit from duty and related tax waivers. As a result there is little to be gained from importing these items.[23] Another barrier may be that companies have to apply individually to obtain access to this preferential arrangement.

Box 2: ELTS Approval Procedures for Firms

The procedures for approval comprise a two stage process: the Enterprise procedures and the National Approvals Committee procedures.

[22] Sierra Leone National Export Strategy 2010-15.
[23] Local Content Assessment Report, DFID (2013).

Enterprise Procedure: The enterprise sends its completed application form and all supporting documents to the ministry responsible for ETLS matters in the country concerned.
National Approvals Committee (NAC) Procedure: The Ministry sends completed application forms to members of the National Approvals Committee (specially set up to scrutinize ETLS applications).

The Committee holds a series of meetings and discussions to examine all ETLS applications brought before it at the time. Approvals or disapprovals are then recommended. The report of the Committee recommending approvals and disapprovals is submitted to the responsible Ministry, which sends the report and dossiers on the recommended approvals to the ECOWAS Commission. The ECOWAS Commission reassesses the applications and if satisfied with the NACs approvals, sends out notification letters to all Member States informing them of the newly approved enterprises and products. It is after the notification letters are sent out, that approved enterprises obtain the Certificates of Origin for their approved products from their responsible Ministries.

Source: ECOWAS

IV. Implementation of the 2006 Action Matrix

53. The purpose of the Enhanced Integrated Framework (EIF) process is to assist countries to utilize and promote trade as one of the main instruments to reduce poverty and expand economic growth. As part of this process, the goal of the update of the initial DTIS is to review the progress made since 2006 and explore priorities for future actions to assist the country in its development process.

54. The 2006 DTIS Action Matrix included a comprehensive set of recommendations with over 100 actions, distributed across 8 areas covering Sierra Leone's trade policy and institutions, trade agreements and market access, a number of cross-sectoral areas such as the regulatory environment for investment and trade facilitation, sectoral issues relating to agriculture and agribusiness, fisheries, tourism, and financial services, as well as capacity building issues in implementing entities like the MTI and the national Revenue Authority (NRA).

55. Progress with the implementation of the Action Matrix has been uneven across sections. Most progress has been registered with actions aimed at improving the legal and regulatory environment for attracting investment and the overall business environment, as well as customs reform, while actions aimed at Sierra Leone's export diversification have yielded limited results so far. The record on the implementation of actions aimed at improving institutional capacity, reducing transport and transaction costs, improving logistics services, and reforming the fisheries and tourism sectors is mixed.

56. The country has enacted a number of new legislation and established new institutions to improve the policy and regulatory process. Among the most commendable achievements in the implementation of the 2006 DTIS is the restructuring of the NRA and the introduction of the GST, revamping of the Customs and Excise Department (CED), implementation of the ASYCUDA and increased revenue collection capacity, and the establishment of SLIEPA and a One-Stop-Shop to register businesses. On the legislative side, between 2007 and 2009, a number of legislative reforms were adopted to improve the business environment including: the Business Registration

Act (2007), the General Law Act (2007), the Companies Act (2009), the Bankruptcy Act (2009) and the Payment Systems Act (2009).

57. In the implementation of the 2006 DTIS Action Matrix, Sierra Leone benefited from cooperation and partnership with a number of multilateral agencies and development institutions. Achievements include, among others, establishment of SLIEPA in 2008 with the support of the United Kingdom's Department for International Development (DFID); support to building the valuation and revenue collection capacity of the Customs and Excise Department by DFID; an SME Business Establishment survey led by the Sierra Leone Indigenous Business Association, supported by the International Finance Corporation; the Sierra Leone Investment Policy Review in 2010 conducted by the United Nations Conference on Trade And Development (UNCTAD); and United Nations Industrial Development Organization (UNIDO) support to SLSB under the EU-funded WAQP with technical assistance and through the provision of laboratory equipment; and reconstruction of the Freetown-Conakry Highway, construction of the Gbalamuya Joint Border Post, and the Maisaka-Bo Highway with support from the European Union.

Status of implementation of the 2006 Action Matrix

1. Customs and Infrastructure

58. The bulk of the trade facilitation related recommendations put forth in the 2006 DTIS Action Matrix were based on improving the operations of customs to reduce clearance times and costs while raising revenue collection, which involved a complete overhaul of the NRA. The GoSL has demonstrated strong commitment to facilitating trade through comprehensive reforms in the area of customs and border management by implementing a large number of the proposed interventions.

59. **Reduce Clearance Costs:** The Introduction of an integrated Customs/Port automated system to streamline procedure and reduce clearance time was one of the key recommendations of the 2006 DTIS. The flagship of Sierra Leone's customs modernization program, the introduction of an integrated electronic system for enhancing customs clearance known as the Automated System for Customs Data (ASYCUDA++), was launched at the Queen Elizabeth II Quay (QE II) in January 2010, followed by Lungi International Airport, with plans to roll out to customs border posts Gbalamuya and Gendema later in 2013. By providing a direct electronic link between importers and their agents and the CED for the recording and clearance of goods and the collection of revenues, clearance time has been reduced significantly from 7 seven days to less than a day when the system is fully functional. Frequent power shortages and inadequate IT support and maintenance have increased clearing times, however.

60. Another recommendation for reducing clearance costs was to lower or eliminate container scanner fees. Africa Link Inspection Company (ALIC) was recently contracted to conduct the Destination Inspection (DI) Scheme, and is responsible for the operation and maintenance of the scanning facility. Consultations with stakeholders, however, reveal that scanning costs have instead increased since ALIC took over DI from CED. This issue is discussed further below, under the customs and border management section of the chapter.

61. **Increase transparency and improve valuation procedures:** Revising and publishing the customs law and customs tariff was recommended for increasing transparency. The enactment of

the Customs Act 2011 revised customs laws in line with best practice and updated conventions. In 2009 the harmonized system (HS) for valuation was upgraded to 2007 HS. Further review is in progress on the adoption of the 2012 HS and integration into ASYCUDA++. A nationwide sensitization on the customs law was conducted in early 2012 and copies of the Customs Act 2011 are on sale at the government bookshop for public consumption and can be downloaded from the NRA website.

62. **Inform traders and transporters of existing customs and trade regime:** Holding workshops to educate stakeholders, displaying posters and other means of education regarding applicable tariff rates and customs procedure were among the recommended actions in the 2006 action matrix. A series of workshops were held for various stakeholders including authorized economic operators (customs clearing, forwarding, and shipping agents) Parliamentarians, media practitioners on customs processes and how they contribute to the ease of doing business. These efforts have not been sufficient, however, and stakeholder consultations indicate that a lack of awareness and understanding of existing trade related policies and procedures, especially those under ECOWAS and MRU protocols, still pose a major impediment to trade.

63. **Build capacity of Customs Service:** The 2006 DTIS recommended establishing a new customs training facility with a program based on the recommendations of a comprehensive training needs analysis and an expatriate training manager: Under DFID support for customs modernization, a training facility was established at customs headquarters in 2008, and training has since been conducted for customs personnel and clearing and forwarding agents on issues of classification, valuation, assessment, and risk management. The establishment of four specialized units within CED—valuation, risk management, post clearance, and HS units—has enhanced the technical skills and knowledge of Customs officers and their private sector counterparts.

64. **Transfer Pre-Shipment Inspection knowledge to nationals:** The Pre-Shipment Inspection (PSI) scheme contract with Intertek was terminated in 2008 and replaced with a DI scheme conducted by the CED. In 2012, however, a new destination inspection agreement pioneered by the MTI was awarded to ALIC as noted above. This development which runs counter to the principle of transferring PSI knowledge to nationals is discussed below in the customs and border management section of the chapter.

65. **Improve Customs-to-Customs and Customs-to-business cooperation and communication:** The 2006 DTIS recommended actions to ensure regular meetings of customs Consultative Committee, to provide advice to the Commissioner, including key stakeholders representing major traders and excise payers, clearing and forwarding agents, shipping agents, SLPA and MTI: CED pioneered the establishment of a *ports users consultative committee* (PUCC)**.** Also recommended was developing a series of MOUs with the customs services of chief trading partners: Under the ECOWAS and MRU protocols, there exists an MOU with trading partners including Nigeria, Guinea, Liberia on a Common External Tariff (CET), however, this is not fully implemented.

66. **Reduce cross-border smuggling:** There are currently two operational Flexible Anti-Smuggling Teams (FAST) teams covering the northwest and southeast of the country. Given the porousness of borders the need for a more focused and robust FAST team should be considered for the western and northern regions, in particular, around Gbalamuya.

67. **Upgrade transport infrastructure:** The most significant road construction project undertaken since the DTIS in 2006 has been the Freetown-Conakry highway built over 2009-2012 with funding from the EC which rehabilitated 85 km of roads (76 km in Sierra Leone and 9 km in Guinea). As a result of this infrastructure upgrade, according to the EC, transport cost and travelling time have been reduced by 30 percent. Another major road project was the rehabilitation of the Masiaka-Bo highway took place over five years from 2006-2012 with 165 km of roads being rehabilitated.

68. In addition, 600km of feeder roads were rehabilitated in Port Loko, Kambia, Pujehun and Kenema Districts. Construction is currently underway in the Freetown area, on the Hillside Bypass Road, Lumley-Tokeh Road, Kenema-Pendembu Road, Lungi-Port Loko Road, and 25 km of selected streets in Freetown are being rehabilitated. Also under rehabilitation are 250 km of Provincial and District Headquarter Town Roads in Makeni, Bo, Kenema, Magburaka, Port Loko, Kambia, Lunsar, Moyamba, Pujehun, Bonthe, Kabala, Koidu, and Kailahun.

69. The 2006 Action Matrix had recommended developing a new National Transport Strategy (NTS) and Investment Plan for the period 2006-2010. This was not undertaken until 2013 with a World Bank supported NTS currently under preparation.

70. An area of lagging progress has been in improving the capacity to maintain roads including better coordination with local government and participation of the private sector. The Sierra Leone Road Maintenance Fund Administration (SLRMFA) was established in 2011 to fund programed periodic and routine road maintenance, through a road user charge (levied on gasoline and diesel sales). The Road User Charge was suspended by Government in 2011, and partially reinstated in the second half of 2012. As a result road maintenance funding has been wholly inadequate relative to network requirements. Moreover these charges need to be revised upwards. Furthermore, the Local Government Act 2004 delegated the maintenance of rural feeder roads to local councils; however, these local authorities continue to lack the capacity and resources to carry out this role.

71. **Encourage private participation:** Among the recommendations of the 2006 DTIS action matrix was to promote and facilitate public-private partnerships in the building and operation of ports. Moving towards a landlord port model, the Sierra Leone Port Authority (SLPA) entered into a concession agreement for the QE II Quay and transferred its container terminal management and stevedoring activities to a private operator, Bolloré Africa Logistics, for a 20-year concession period, commencing in March 2011.

72. **Increase transport planning capacity and improve co-ordination between various ministries and related agencies:** Responsibility for the national road network (primary, secondary and feeder) is with the Ministry of Works, Housing and Infrastructure (MOWHI). The Sierra Leone Roads Authority (SLRA) was made responsible for the control, development, maintenance efficient planning and reliable management of the national road network in 2010, through enactment of the Sierra Leone Roads Authority (Amendment) Ac. MOWHI is the parent ministry of the SLRA.

73. In late March 2013, MTI announced it had established a Trade Facilitation Committee with the objectives of streamlining import and export procedures, eliminating bottlenecks and reviewing charges at the QE II Quay. The Committee comprises officials from the SLRA, MTI, NRA, Sierra Leone Business Forum, and representatives of the Clearing and Forwarding Association as well as the Sierra Leone Importers Association.

2. Tourism Sector

74. The 2006 Action Matrix appropriately targeted several priority objectives for the sustainable development of tourism in Sierra Leone. Some progress has been made, especially as a result of the EIF Tier 2 support, which has helped serve the increasing number of visitors since 2006. Much more is effort is needed, however, to raise the sector to international standards and establish solid institutions for effective implementation.

75. **Change image of Sierra Leone:** A Marketing Plan was developed as part of the 2008 Tourism Strategic Action Plan, which is supported as an IF Window II Project. Approximately US$350,000 has been spent over the past years for updating the website, producing promotional materials and enabling trade fair representation. The Plan emphasizes ecotourism.

76. The EIF-funded implementation of the Marketing Plan is a positive step in the right direction of helping to change the country's tourism image. The EIF grant is a boost, but it is a fraction of what is needed. While the Plan has been supported by some market research, longer term the Tourism Board will also require more capacity building to sustain a dynamic plan that enables leveraging of international trends based on available resources. With a focus on ecotourism, the tourism industry will be challenged to meet market demand for facilities, transportation, roads, and trained staff, all of which are severely lacking throughout the country.

77. **Develop long-term tourism plan:** Five sites have been targeted for development under the STDPP-EIF Tier 2 support. No plans developed yet.

78. Since the Plan was completed in 2008, implementation has been limited, mainly constrained by an inadequate budget, which in turn constrains human resource capacity. Tourism Plans should be dynamic documents that can be adjusted to respond to changing market conditions. That requires capacity within the Ministry of Tourism and the Tourism Board to undertake research, monitor trends and take appropriate action, which is presently absent.

79. **Develop detailed plans for Key Areas**: These plans are the foundation for diversifying Sierra Leone's tourism beyond the Western Peninsula beaches and more towards ecotourism destinations and activities around the country. In 1982, a Tourism Master Plan was prepared. Although the Plan was not implemented, much of it remains relevant.[24] Ideally, the four plans should be developed as part of an updated Master Plan that is, in turn, consistent with the 2008 Tourism Strategy. An updated Tourism Act should facilitate development, updating and implementation of all of these plans.

80. **Build capacity for tourism planning and implementation**: Capacity building is targeted for development under the STDPP-EIF Tier 2 Training Needs Assessment, training of key public sector officials and private sector representatives, Train-the-Trainers Program, refurbishment of HTTC facilities, procurement of office space and equipment for the NACTG.

81. Of the objectives listed, this should be a top priority and the increased human resource capacity should be provided the financing, technology and facilities to do the work that they were

[24] According to Cecil Williams, Director of the Tourism Board.

hired for. Without this capacity, little can be achieved at a macro sector level. It would be difficult, if not impossible, to develop tourism as a sector without institutional guidance and coordination.

82. **Build tour guide capacity**: This activity was completed with 64 guides trained. Due to the seasonal nature of tourism activities in Sierra Leone, however, only a fraction of these guides are presently employed on a full time basis in the travel sector with a much larger number employed seasonally. Consequently, demand for tour guides has been insufficient to employ all of the certified guides. It is therefore recommended that the guides be provided additional training in product development and entrepreneurialism to help them leverage their skills into helping to improve existing experiences and to establish new ones.

83. **Improve information on attractions in Sierra Leone**: The National Museum remains in dire need of improvement. The Museum should be developed further into an interpretive and tourist information center.

84. **Expand range of tourist attractions**: Work on this activity is in progress and is due to be supported by the STDPP-EIF Tier 2 activity. This objective appears to be the same as the above objective of producing detailed plans for key areas. Some of this work should be done in partnership with the private sector and ideally integrated with an updating of the 1982 Tourism Master Plan.

85. **Develop beach tourism**: In progress, due to be supported by the STDPP-EIF Tier 2. Feasibility studies are definitely needed, but as with the other detailed plans mentioned above, ideally these studies should be conducted as part of the updating of the 1982 Tourism Master Plan. With sand mining actively underway on several beaches of the Western Peninsula, establishing development zones is an urgent priority. It is reported that at least 100 dump trucks a day are removing sand from the beach for sale in Freetown as construction material.

86. **Rehabilitate existing hotels and guesthouses:** Renovations are eligible for incentives under the Draft National Investment Policy of 2009. Since these are decided by an Investment Committee within the MTI, the facilitating role of SLNTB and SLIEPA are important for promoting and accessing these incentives.

3. Fisheries Sector

87. The results show that of the 12 interventions identified in the Action Matrix 2006, in terms of 'objectives' and 'actions to be undertaken' only one objective was fully achieved, in terms of the performance criteria set out. This was the objective of 'Improve fishery infrastructure', and focused on planning for a fishing harbor development and the financing involved.

88. At least six other interventions are considered to have 'partially achieved' their specific objectives including the establishment of preconditions for the conclusion of fishing agreements, preparations for the improved access to foreign markets (complete EU access conditions 1), the development of a private sector support program, creation of an effective Monitoring Control and Supervision (MCS) system, the improvement of sector governance and the development of aquaculture.

89. It is of some concern, however, that at least five major interventions did not succeed in achieving their objectives including the development of a fishing strategy in collaboration with the Strategic Partnership, preparations for the negotiation of fishing agreements, the construction of a fishing port, the evaluation of the effectiveness of fishing agreements and the development of an action plan for the next five years.

90. **Develop a fisheries strategy in collaboration with the Strategic Partnership:** Assessments completed. Strategies developed and donor roles defined. Initial stock assessment incomplete as Institutional Support for Fisheries Management Project (ISFMP) stock assessment did not account for shrimp and small pelagics. Fishing effort in relation to capacity of vessels not yet defined. The New Partnership for Africa's Development (NEPAD) under the West African Pilot Project (WAPP) is supporting fisheries strategy development. The roles of donors in supporting and implementing the strategy are not yet defined. MCS especially the surveillance aspect has been improved with a Vessel Monitoring System (VMS) operated by the Joint Maritime Committee (JMC) and patrols by the vessel from the Isle of Man which conducts surveillance in Sierra Leone waters. Port development and standards compliance is being pursued with a bid document for Environmental and Social Impact Assessment (ESIA) studies being assessed. The Food and Agriculture Organization (FAO) completed a fisheries management plan for artisanal fisheries in 2012 which may require validation. Strategy for collaboration with partners is being developed. (Outcome: Objective not achieved)

91. **Improve fishery infrastructure:** Fishing port construction at White Man's Bay site has been identified. US$8 million support concluded with donors to construct the platform and PPP arrangement needed for the other facilities. The entire project requires US$70 million. Funding secured through the West African Regional Fisheries Program (WARFP) for temperature controlled fish export facilities at Lungi airport, construction of the 12 km road from Konacreedee to Lungi, construction of clusters at Konacredee. ESIA studies bids are being examined for commencement of the activities under WARFP.

92. **Prepare for negotiation of fisheries agreements:** Report on fisheries agreements prepared. Negotiating team prepared and trained. Tuna agreement negotiations with vessel owners underway but nothing concrete finalized. Training workshop on access agreement by FAO 18-20 October 2011 involving external expert was undertaken but inadequate as a training activity for a negotiating team.

93. **Establish preconditions for conclusion of fisheries agreements:** JMA approved and funded, VMS selected, donor support obtained. Mid-term evaluation included. JMC created in 2009 and now operational, VMS in place and functioning but could be further improved with changes in technology. Neither party has pursued EU agreement negotiations further since initial interest in 2007/2008.

94. **Prepare for improved access to foreign fish markets:** Complete EU access conditions: Funding, organization and operating procedures finalized, donor agreement obtained, and certification and approval included. Fisheries product regulation finalized and gazetted in 2007. Competent Authority and food unit is in place at the Ministry of Health. This is contested by the Ministry of Fisheries and Marine Resources (MFMR) which is seeking review of the fisheries product regulation 2007 to bring the Authority to MFMR because of control issues beginning out at sea during capture. Equipment and consumables provided for SLSB as Ramsy was deemed to be a

private entity and therefore not sustainable practice to receive public funds. The sanitary certificate is part of approval but doubts raised by workshop participants about its effectiveness.

95. **Develop a private sector support program:** Fisheries Business Consultant appointed, program developed and created. Fisheries business consultant engaged on short term assignment under WAPP to develop PPP arrangements for the operationalization of the four fish receiving centers in 2012. Joint venture assistance for companies has not been undertaken.

96. **Make MCS system effective:** MFMR strengthened. MCS is effective with room for improvement in equipment and human resource capacity building. (Outcome: Objective achieved partially.)

97. **Construct fishing port:** Contractor and engineers procured; Port authority organized. ESIA study tender document is being assessed for harbor construction. Expression of interest from contractors has been requested.

98. **Evaluate effectiveness of fisheries agreements:** Analysis was conducted and report is published. Fisheries agreement not yet pursued to conclusion. A Tuna agreement was commenced in 2012 with vessels owners but not concluded.

99. **Improve sector governance:** Expanded scientific and technical committee is operational. Fisheries law reviewed through consultation with stakeholders to modernize. Fisheries and Aquaculture Bill 2011/2012 is consistent with international instruments. Artisanal fisheries bill is before parliament for enactment. Management functions devolved to local councils by Local Government Act 2004. Co-management participatory approach is being forged under the WARFP. Community Management Associations (CMAs) forged to man Marine Protected Areas (MPAs) and evolving Territorial Use Rights in Fisheries (TURF). Management Functional Review (MFR) is before cabinet for restructuring MFMR.

100. **Develop aquaculture**: Extension services functional. Commercial aquaculture firms have been established. Five ponds were constructed in Jimmi Bagbo with support from Welt Hunger Project, and 12,400 m^2 fish ponds at four sites in Koinadugu district were built with Italian trust fund in collaboration with FAO. Eight ponds were established in mined out area at Sierra Rutile. 15,000 brooders and 45,000 fingerlings were stocked in mined out areas. Fifteen bags of fish feed was imported from Brazil under FAO TCP Project for strengthening fish farmers. A large number (250) of fish farmers were trained in pond construction and management in Northern, Southern and Eastern provinces. Twenty existing ponds in Makali and Bo were rehabilitated. Four semi-commercial 400m^2 ponds were constructed at Makali station and the main water channel was rehabilitated. WAPP is currently carrying out a needs assessment for development of an aquaculture opportunity and investment strategy.

101. **Develop action plan for next five years:** The report was prepared and a workshop was held. New action matrix was prepared and submitted to participants.

102. There are a number of conclusions and comments which can be made about the level of performance achieved, noted above:

- The achievement of the objectives are linked largely to the performance of the project interventions highlighted in the earlier sub-section above; and by and large, there have been a relatively limited number of projects operating since 2006;
- Although the MFMR was identified as the 'party responsible' for achieving the objective, it should be noted that the operation of this ministry has been constrained by limited institutional capacity and limited funding, as well as a number of staff changes;
- Overall, the relatively low level of performance achieved means that while a number of the 'needs' of the fisheries sector have been addressed, it seems highly unlikely that a sufficient 'critical mass' of core interventions have been undertaken to either take up the 'opportunities' presented by the fisheries sector (especially international trade), for development in Sierra Leone, or to address the serious 'challenges' which the sector now faces, especially the lack of well-managed fisheries and the IUU theft of fisheries wealth.

4. Agriculture and Agro-Industry

103. The 2006 Action Matrix was aimed at promoting the production and exportation of cocoa, gari, rice, palm oil and ginger among other agricultural commodities. The objectives included: understanding of the regional markets for these commodities, improving farmer-organization, reforming and updating the phytosanitory policy, building the capacity of inspectorates for grading and quality control, improving the processing of these commodities, provision of credit facilities, market information and reducing the business risk. A number of commodity-specific objectives and action plans were also developed mainly aimed at promoting productivity and value-addition.

104. Most of the actions highlighted in the 2006 DTIS have been undertaken, and some are in the process of being implemented by various entities. In the case of the activities falling under the mandate of the Ministry of Agriculture, Forestry and Food Security (MAFFS), quite a lot has been achieved either through the implementation of the sector programs as well a number of projects supported by various development partners. For example, a number of the Smallholder Commercialization Program (SCP), RPSDP and other projects are supporting the development of a number of value-chains such as cocoa, rice, *gari* (cassava). Under both RPSDP and SCP, over 150 Agribusiness Centers (ABCs)/ Farmer Based Organization (FBO) structures have been established. Milling equipment for rice, including destoners, cassava graters for gari production have been provided to the FBOs to promote small-scale agro-processing. A number of FBOs and cooperatives have been established and registered and many of them are functional. The RPSDP has also been involved in the rehabilitation of feeder roads and rural access infrastructure to link agricultural production areas to markets. About 421 km of feeder roads have already been rehabilitated and contracts have been signed to rehabilitate an additional 500 km.

105. In the case of commodity specific support, a number of cocoa cooperatives have been established and registered and have to-date exported a total of 729.25 tons of quality cocoa beans with a total profit of about Le 1.2 billion with a declared bonus of Le 300/kg. Furthermore, the cocoa cooperatives have led to the establishment of a Cocoa trading company: Kayeigorma Company Limited (KCL) made up of three Cocoa cooperatives (benefiting over 13,000 members) which facilitate processing and exporting of cocoa. Similar support is also being provided to FBOs that engage in rice and cassava processing in all the 13 rural districts. In terms of quality standards MAFFS in coordination with the SLSB has been working to produce, publish and gazette over 66

priority national standards on key agricultural commodities including cocoa. Support has also been provided for the establishment of the Trade Information Centre under SLIEPA, which is a one-stop shop for up-to-date trade information to facilitate internal and external marketing of agricultural produce.

106. Under the SCP, farmer capacity building including the establishment of several ABCs (in almost all chiefdoms) has been undertaken. MAFFS has also established a mechanism for the establishment of rural banks, which is meant to improve access to credit among farmers.

107. While there has been significant progress in the agriculture sector, much remains to be done in order to fully consolidate the achievements that are now evident. It is also important for MAFFS and its development partners to improve coordination and alignment of their programs in line with the sector objectives in order to reduce duplication of effort and improve the efficiency of resource use.

5. Trade Policy and Institutional Capacity

108. Sierra Leone has further integrated trade into its economic agenda since the last DTIS--a major goal of the EIF process. Training of MTI officials and other key stakeholders and the establishment of the National Steering Committee for the EIF process, for example, have enhanced the capacity to monitor and coordinate EIF related activities.

109. **Restructure and build capacity of the MTI:** MTI has been restructured and the new Directorates created. The professional wing of the Ministry is divided into three Directorates: International Trade Division, Domestic Commerce and Industry and the PPRD.

110. Capacity building program has been implemented with the support of the EU under the Ninth European Development Fund (EDF). The EIF National Implementation Unit was established in 2009 and five qualified and competent staff recruited to provide technical backstopping to MTI. Chief Director/professional Head and Directors and deputy directors have been appointed in various directorates, local content officer has also been recruited. However, mid-level staff with technical capabilities such as Economists has not been recruited.

111. **Improve access to data:** The Database was created and quarterly bulletins are being produced. The database is not, however, linked up with the MTI website because the website is not fully functional. A Trade Information Unit was established in SLIEPA. Actions to build and maintain a reliable data base on trade and trade-related issues in collaboration with other agencies like SSL, CED and BSL were, however, not fully implemented.

112. **Develop trade and export strategy:** The National Trade Policy and the National Export Strategy was developed with funding from the Commonwealth Secretariat in 2010 by building on the DTIS design and through a wide stakeholder consultative process, has been endorsed by the Government. The National Export Strategy, 2010-2015 covers four priority sectors—agriculture, fisheries, mining, and tourism, and, includes cross cutting issues of trade facilitation, trade financing, quality management, export competence development and trade information.

113. **Improve export and investment promotion:** SLEDIC Act was repealed in 2007 and an export and investment promotion entity, SLIEPA was established by an act of parliament.

114. **Increase participation in trade negotiations:** An EPA Development Program funded by the EU has been prepared and approved by government but not fully implemented. Training was provided on trade negotiations, both in country and internationally under IF funds.

115. **Clarify mandate and strengthen capacity of the Sierra Leone Standards Bureau:** The Government has approved the National Quality Policy with the objective of re-engineering the SLSB and strengthening its capacity to render services for the private and public sectors. The bureau has been capacitated with training on standards, conformity assessment, metrology and the establishment of four testing laboratories covering: food microbiology, food chemicals, petroleum and metrology testing and calibration. This was achieved with support from the United Nations Industrial Development Organization (UNIDO) under the EU-funded West Africa Quality Programme with technical assistance and through the provision of laboratory equipment. The training provided has not been adequate, however, and there is a clear need for further capacity building and development of quality of infrastructure.

116. **Strengthen trade research capacity:** Implementation is ongoing to establish a PPRD documentation center and develop a work program with the BSL and the Economic Policy and Research Unit of MOFED. However, implementation has been slow due to a lack of staff in the PPRD to carry out these tasks.

Chapter 2: Facilitating Trade and Improving Domestic Logistics Services for Lower Trade Costs and Efficient Supply Chains

I. Introduction

117. Trade facilitation reduces trade costs, contributes to export growth, improves regional and global competitiveness and is therefore is central to economic development Facilitating trade and boosting logistics performance in low-income countries to the middle-income average could expand trade by 15 percent.[25]

118. Sierra Leone faces sizable trade constraints and lags in implementing effective policies to overcome domestic and cross-border trade barriers. High transport costs, poor infrastructure and an under-developed logistics services sector limit Sierra Leone's ability to develop competitive value-added exports and raises the cost of imported goods. There has been a great deal of progress in upgrading of the physical infrastructure of the country in recent years. Infrastructure improvements alone, however, neither significantly reduce trade costs nor improve reliability. Improvements in infrastructure can help reduce travel time and vehicle operating costs while other measures are needed to reduce operational and bureaucratic delays and to reduce regulatory burdens. Approaches that tackle both "hard" infrastructure (roads, railways, ports) and the "soft" infrastructure (institutional and regulatory reforms, etc.) are needed for improving logistics and increasing trade efficiency.

119. The 2006 DTIS prioritized comprehensive measures to reform customs and border management to overcome challenges like long clearance times and high trading costs. It is apparent that significant progress has been made in implementing these reforms, with some tangible improvements on the ground. Weaknesses remain, however, in areas where government policy can have a direct impact, namely concerning trade related infrastructure bottlenecks and intermodal connectivity, logistics service quality, and remaining technical and capacity issues with customs and border management agencies.

120. The emphasis of trade facilitation related reform in Sierra Leone is now shifting away from customs reform and first generation investments in port and road infrastructure, towards new and harder to tackle areas. Trade constraints in these new areas are cross-cutting and more institutionally complex. Sierra Leone's new reform agenda will need to address issues such as:

- Improving transport policies and regulations to strengthen market structure;
- Increasing competition in trade related services, such as trucking, clearing and forwarding, shipping, and storage and warehousing; and,
- Improving collaboration among agencies involved in border processing and the private sector.

121. This chapter provides a stocktaking of developments since the 2006 DTIS and an assessment of Sierra Leone's performance in removing barriers and remaining challenges to trade in areas of infrastructure, logistics services sectors, and customs and border management. The

[25] Hoekman and Nicita 2011.

chapter then identifies a set of priority actions and interventions in these key areas to help overcome remaining impediments and guide the implementation of the DTIS Update.

II. Sierra Leone's Trade Facilitation and Logistics Performance Since 2006

2.1 Overview

122. The poor condition of fundamental trade infrastructure and weak logistics services, resulting in a high cost of transportation, remain the greatest impediments to moving goods both within Sierra Leone as well as across borders. Sierra Leone's civil conflict destroyed much of the country's infrastructure and trade related services. Since then, considerable effort has been put into rebuilding and modernizing infrastructure networks. Resolving bottlenecks that the poor state of infrastructure imposes on Sierra Leone's trade performance will take time, however, and much coordinated effort. Coordinating and linking infrastructure investments with policy reform is essential for reducing trade costs and increasing competitiveness. It is important to ensure that policy constraints are addressed as an integral part of programs for improving roads, ports, and other physical infrastructure.

123. The results of the latest Doing Business report serve to illustrate the above point. A useful indicator in this regard is the cost and time associated with fulfilling the procedural requirements for exporting and importing a standardized 20 foot container of goods such as the bill of lading, certificate of origin, commercial invoice, customs import declaration, gate pass, packing list, and technical standard/health certificate. In Sierra Leone the cost of importing and exporting has increased since 2006 from US$1,242 and US$1,282 to US$1,780 and US$1,385, respectively, in 2012 (Table 7). While costs have risen, processing time has gone down from 34 to 27 days for imports and from 31 to 24 days for exports, during the same period. Relative to the MRU average, costs are higher in Sierra Leone.

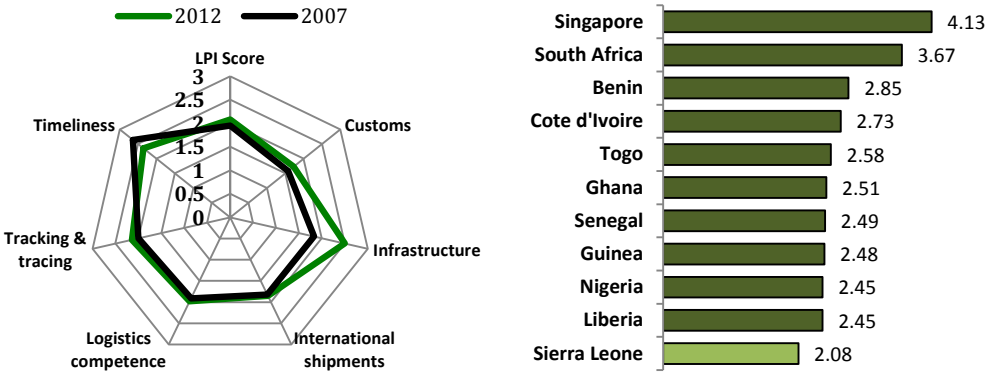
Table 7: Cost and Time to Trade in Sierra Leone

	Time to export (days)	Cost to export (US$/TEU[/a])	Time to import (days)	Cost to import (US$/TEU)
2006	31	1,282	34	1,242
2013	24	1,385	27	1,780
2013 MRU	25	1,153	29	1,497

[/a] Twenty-Foot equivalent Unit.
Source: Doing Business 2013.

124. The Logistics Performance Index (LPI) developed by the World Bank, based on a worldwide survey of global freight forwarders and carriers, demonstrates that Sierra Leone has made progress in areas of infrastructure and customs, however, lags in others like timeliness of logistics services and logistics competence. Sierra Leone lags significantly behind other countries in key areas such as customs, infrastructure, competence in logistics, and timeliness of exports and imports. Sierra Leone performs poorly relative to other regional comparator countries in the quality and performance of trade related logistics (Figure 14).

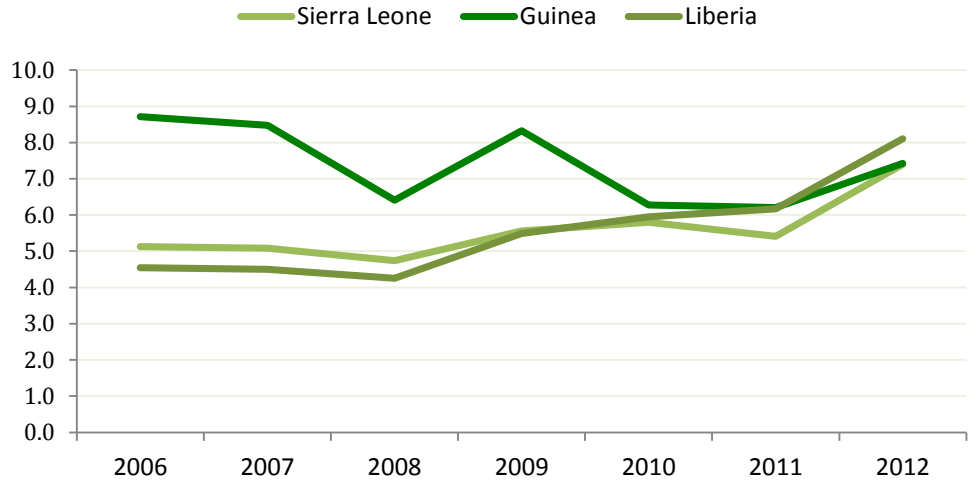
Figure 14: Logistics Performance Indicators, 2007-2012



Source: LPI 2012.

125. Logistics performance measures how well countries connect to global networks, while connectivity assesses how well countries are positioned toward their markets. Countries' access to world markets depends largely on their transport connectivity, especially in relation to regular shipping services for the import and export of manufactured goods. One measure of a country's level of integration into global liner shipping networks the Liner Shipping Connectivity Index which has shown improvement between 2000 and 2012, an indication that Sierra Leone has become better connected to global shipping networks (Figure 15).

Figure 15: Liner shipping Connectivity Index for Sierra Leone and Regional Comparators, 2006-12



Source: UNCTAD

III. Transport Network: Domestic, Regional and Global Connectivity

3.1. Road Network

126. Roads are a driving factor for economic development and regional integration. In the absence of a national railway system, Sierra Leone's economy is highly dependent on roads for the transportation of people and goods within the country as well as across borders. Accordingly, road

construction has been given high priority in development programs with support from the government and donor community and is expected to be a key component under the Agenda for Prosperity. The national road network, however, has a long way to go before it can be an efficient distribution network for the country's imports and exports.

127. Sierra Leone's road transport system consists of an estimated 11,311 km, of which 8,207 km are classified as Class A, B or F roads (primary, secondary, feeder). The country only has a paved road network of 906 km, representing 8 percent of the total road network. For the core (primary and secondary) road network, the paved portion contributes 20 percent. Table shows the extent of the current road network in Sierra Leone (Table 8).

Table 8: Sierra Leone's Road Network

Functional Category	Paved (km)	Unpaved (km)	Total (km)
Primary roads (Class A)	767 (85%)	1,384 (13%)	2,151 (19%)
Secondary roads (Class B)	24 (3%)	1,880 (18%)	1,904 (17%)
Core road network (A+B)	791 (87%)	3,264 (31%)	4,055 (36%)
Feeder roads (Class F)	0 (0%)	4,152 (40%)	4,152 (37%)
Other roads	115 (13%)	2,989 (29%)	3,104 (27%)
National road network	**906**	**10,405**	**11,311**

Source: MWHI (National Rural Feeder Roads Policy 2011)

128. The most significant road construction project undertaken since the DTIS in 2006 is the Freetown-Conakry highway and joint border post that was built over 2009-2012 with funding from the EC with 85 km of roads rehabilitated (76 km in Sierra Leone and 9 km in Guinea). As a result of this infrastructure upgrade, according to the EC, transport cost and travelling time have been reduced by 30 percent, with trade volumes between Sierra Leone and Guinea expected to have increased significantly in 2012.[26] For example, there is now a large market at Kambia where traders from both sides of the border can sell their products to local consumers as well as for resale in Freetown and other parts of the country. In addition, access to markets and to basic social services has increased for the population living in the northern part of the country. Another major road project was the rehabilitation of the Masiaka-Bo highway which took place over five years from 2006-2012 with 165 km of roads being rehabilitated. As a component of the Conakry-Freetown-Monrovia road, it also contributes to the regional connectivity of Sierra Leone.

129. Despite, considerable investments in the rehabilitation of core roads since the 2006 DTIS, the condition of the national network is still considered poor and its extent limited. Asphalted roads constitute less than 10 percent of the total network. Progress has been made in the last seven years in improving the overall condition of the primary road network. According to the National Rural Feeder Roads Policy, a total of 39 percent of the primary road network is in *good* condition, with 33 percent and 28 percent considered to be in a *fair* and *poor* condition, respectively.

130. The majority of the poor and very poor roads are located in the northeastern parts of the country, as well as in scattered areas of the western and central parts of the country. Roads

[26] http://ec.europa.eu/europeaid/documents/case-studies/sierra-leone_transport_freetown_en.pdf

connecting Bo with Liberia (through Zimmi), Kenema and Sefadu, and Makeni, are in need of rehabilitation. These roads were generally in fair condition during 2007/8, with only some portions being in poor condition but have deteriorated since. Traders and truck drivers interviewed stated that the roads linking Kenema to Liberia had not been graded in over three years. As a result, Sierra Leone's connectivity to the regional transit network is weak. Sierra Leone is currently a bottleneck on the ECOWAS Trans–West Africa Coastal Highway. Around 90 percent of this route is completed, with most of the remaining sections of the road in Sierra Leone.[27]

131. Road access from Sierra Leone's productive agricultural lands to urban markets remains very poor. Despite huge agricultural potential, the road network is a big constraint to developing the sector. Just 21 percent of the rural population lives within two km of an all-season road. The roads need new investment, particularly in the less accessible areas of the southeast. Sierra Leone would need to add about 5,000 km of road in order to provide access to the land that accounts for 80 percent of agricultural value[28]. Furthermore, feeder roads are not being graded regularly, further adding to the cost of moving agricultural products to markets, with some roads becoming impassable during the rainy season. For instance, the cost of transportation from Kailhun to Kenema increases by a third during the rainy season. Transit time by truck increases on average from a day in the dry season to 3 days or more in the rainy season, severely limiting market access in the time of year when household food security indicators are weakest.[29]

3.2. Port of Freetown

132. In Sierra Leone, where intra-regional road and air links remain weak, sea transport accounts for a substantial portion of imports and exports. Efficient maritime transport is therefore critical to Sierra Leone's trade and economic growth. Given the country's fairly small trade volume, Sierra Leone does not form a part of an intercontinental network of shipping lines. The Port of Freetown is served by coastal traffic linking into large transshipment ports like Dakar, Abidjan, Port Tangier, and Lomé. The Port of Freetown serves as the major logistics hub for Sierra Leone's imports and exports and is therefore the main focus of the DTIS Update.

133. The Port of Freetown comprises the QE II container and break-bulk multi-purpose terminals and the Kissy Oil Terminal. All international imports enter the country through the QE II while petroleum product imports are unloaded at the Kissy Oil Terminal. During 2011, a total of 479 vessels called at Freetown Port (a 26 percent increase from 2010). 419 vessels called at QE II Quay (of which 344 were cargo vessels whilst the remaining 75 were fishing and other vessels). 70 vessels called at the Kissy Oil Terminal.

134. The general cargo through QE II is strongly skewed in favor of imports. In 2011, 92 percent of general cargo going through QE II was for imports, while exports accounted for just 8 percent (Table 9). Over the period since 2007 the export share has been declining.

[27] World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming).
[28] Foster and Pushak (2011).
[29] FEWSNET (2010).

Table 9: QE II General Cargo Trends, 2007-11
(thousand tons)

Year	Imports	Imports as % of trade	Exports	Exports as % of trade
2007	801	87%	116	13%
2008	843	85%	147	15%
2009	929	85%	162	15%
2010	1042	89%	129	11%
2011	1165	92%	102	8%

Source: Sierra Leone Ports Authority.

135. Cargo volumes are dominated by imported foodstuff and industrial and construction materials. In 2011, foodstuff accounted for 42 percent of imports, whereas industrial materials made up around 33 percent. Sierra Leone's export base through the Port of Freetown is narrow and currently dominated by agricultural products, scrap metal and empty containers. Mineral exports are predominantly moved out of the country through dedicated port infrastructure operated and maintained by the respective mining companies.

136. There is a distinct trend towards containerization at the Port of Freetown. A total of 169 container and 60 Ro-Ro vessels discharged a total throughput of 63,762 TEUs at the QE II Quay in 2011, a 20 percent increase from the previous year. A total of 116,844 tons of liquid bulk cargo was handled at Kissy Oil Terminal in 2011. In 2011, 365,383 tons of dry bulk cargo was handled.

Table 10: QE II Bulk and Container Trends, 2007-11

	Liquid Bulk		Dry Bulk		Container	
Year	**Throughput (tons)**	**Change**	**Throughput (tons)**	**Change**	**Throughput (TEUs)**	**Change**
2007	334,021		230,039			
2008	319,372	-4%	227,319	-1%	44,968	
2009	213,198	-33%	226,820	-0%	48,532	8%
2010	204,170	-4%	302,634	35%	53,010	9%
2011	116,844	-43%	365,382	26%	63,762	20%

Source: Sierra Leone Ports Authority.

137. Berth occupancy figures for QE II are low, indicating that the port is being underutilized. This means that the port can potentially accommodate more vessel calls per year. The berth occupancy trends from 2008 to 2011 show performance well below the UNCTAD target values of 55 percent to 75 percent. This would indicate that low berth productivity is the challenge, rather than a lack of berth capacity. The Port of Freetown recorded an average turnaround time of 69 hours during 2011. The general cargo vessel turnaround time would place pressure on the general cargo berths, but this is an efficiency (rather than capacity) issue.[30]

[30] World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming).

Table 11: QE II Productivity Indicators, 2008-11

Year	Berth Occupancy Rate	Ship Turn Around Time (Hrs)	TEUs per Crane Hour	Tons per Net Gang Hour
2008	23.6%	63.5	8.2	9.9
2009	27.1%	63.6	9.3	18.2
2010	30.4%	58.3	10.0	14.6
2011	47%	69.0	7.0	13.0

Source: Sierra Leone Ports Authority.

138. Average Twenty Foot-equivalent Units (TEU) per crane hour dropped from 10TEU/hour in 2010 to 7TEU/hour in 2011. The average TEUs per crane hour does not only depend on the availability of container handling equipment but also on several other factors like the age of vessels that call and the choice of gear these vessels use. The two mobile cranes recently made available by the operator are expected to significantly increase the throughput capacity of the terminal. This should also attract more cargo, as vessels without own ships gear will also be able to call.

139. The size of the container storage area is apparently not a constraint on capacity and port performance. The main factor leading to low performance is the efficiency of moving containers in and out of the storage area. Storage here is free of charge for a period of 6 days. After 6 days a 20 foot container is charged Le 7,500 per day (about US$1.75), and double that amount after 15 days.

140. Limited available landside space impedes the ability of the port authority and operator in planning future development to cater to future demand. Suitable flat land for the port is becoming less available as the city expands around the port area. Further adding to the problem of limited landside space is the development of small industry within close vicinity of the port. A cement bagging facility is planned to start operating adjacent to the terminal, which will add to congestion.

141. According to the forthcoming Transport Sector Strategy Development Study, the container terminal area is expected to reach capacity by 2037 based on demand forecast. The SLPA proposes to address this issue through separate, but coordinated Public-Private Partnership planning processes, within the broader framework of a Master Plan, which is currently under preparation. Among SLPA's development plans is extending the QE II Quay westwards for purposes of handling transshipment cargo. Proposal is for existing multi-purpose terminal to be converted to a container terminal at QE II. This will have to be done at very high cost as it would require reclamation of new terminals and construction of a new quay, which will result in downtime in the port during the conversion process, as berths will temporarily be out of use). Furthermore, it is not clear what the origin and destination of such transshipment cargo would be, given the position of Freetown Port in the regional coastal shipping network as it is not an end-call staging post. Another plan is to construct a dry bulk terminal east of the QE II Quay for purposes of handling general dry bulk cargo. The clear trend towards containerization, however, further implies that expansion of break-bulk facilities should be considered carefully.[31]

[31] World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming).

3.3. Intermodal Connectivity

142. For a port to optimize transport efficiencies, it is necessary to provide adequate and functional intermodal linkages. Due to the lack of railway infrastructure, all of the goods delivered to the Port of Freetown are transported by road, which necessitates seamless intermodal connectivity with the national road network

143. The Port of Freetown is connected to the national network by access roads on both the Eastern and Western sides. Both of these routes are subject to encroachment due to informal shops, vendors, and pedestrian traffic. The access on the Western side is quite narrow, making it difficult for heavy vehicles to maneuver, and is highly congested because of parked vehicles on the curbside and the road being used as a general market with considerable pedestrian and motorcycle movement. Two projects currently underway, the Masiaka-Yonnibana Highway and Freetown Ring Road, would serve to alleviate some of the congestion pressures on the Freetown urban transport network. These projects would indirectly improve the intermodal access between the port and the national road network.

144. An approach to separate freight vehicles from other road users in order to alleviate congestion is to implement freight vehicle time restrictions, which will keep heavy vehicles off particular roads during general traffic peak times. The current arrangement is that trucks drive into Freetown along Fourah Bay Road or Kissy Road, only during night hours to alleviate congestion (from 6 p.m. to 6 a.m.). Due to time restrictions, however, loading / unloading occurring during the night would generally present more risk in terms of inadequate lighting, security and manual handling.

145. At present, the majority of freight transport occurs on trucks with six tires or less.[32] The number of freight trips or volume of vehicles can be optimized through delivering and consolidating all goods required for one destination on one large truck, however, compared to multiple trips using smaller trucks.

146. Currently, Port of Freetown does not have a central distribution center. A distribution center provides a centralized area for the loading and unloading of containers and freight vehicles, with potential for warehousing of goods occurring on site. Discussions with local authorities indicate that about 90 percent of imported containerized cargo travels to Freetown. This is the case as some of the containerized goods are first unloaded and then repacked together with other consumer products or foodstuffs. The repacked containers are then distributed to regional destinations or other destinations in Freetown, whereas the unpacked goods are sold at the location.

147. A systematic approach to the distribution of goods to and from the Port of Freetown will help to build towards reducing unnecessary freight traffic within Freetown; removing informal on-street loading and unloading; and improving the predictability and reliability of operators.[33]

[32] Sierra Leone Road Transport Authority.
[33] World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming).

3.4. Impact of the Mining Sector on Future Infrastructure Development

148. The commodity transport corridors in Sierra Leone are mostly provided and operated by the mining companies. Due to remaining discontinuities in the country's transport network, and because of mining-specific requirements, the mining companies often have to contribute to the development, management and maintenance of transport infrastructure.

149. Sierra Leone previously had a public rail network, but this was dismantled in 1975 and replaced with new roads, as rail was not considered viable due to low traffic volumes. African Minerals Ltd. (AML) has recently reinstated the previously existing line from the port of Pepel to Tonkolili, and extended it to their iron ore deposits around Bumbuna. This extended iron ore line now represents the only operational railway line in Sierra Leone but this line is not integrated into the national transport system.

150. Recent developments specifically in the iron ore sector suggest limited coordination between mining companies themselves as well as mining companies and the Government. A case in point is the rights to ownership and operation of the existing Marampa-Pepel Railway Line and Pepel Port facilities prior to commencement of large-scale mining activities.

151. In August 2007 London Mining PLC (LMP) signed a Memorandum of Understanding (MoU) with the Government for the lease of the railway line from the Marampa mine to Pepel Port and for the Pepel Port and its facilities. In November 2008, however, AML signed an agreement for an exclusive 99-year lease with the Government in which AML would undertake the redevelopment of the Pepel Port, refurbish the existing railway between Pepel and Marampa and construct an extension of the railway from Marampa to Tonkolili. AML agreed to manage and operate the port and railway, making the facilities available to other users, including mining companies and general freight and passenger transport companies, at commercial rates.[34]

152. In turn, LMP opted, irrespective of the proximity of the existing railway to the mine, to develop its own transport infrastructure; the dedicated haul road and barge loading facility at Thoyefim. Discussions with the SLPA revealed that in March 2013, LMP was planning a feasibility study for a shared use rail/port system linking Marampa to a proposed Greenfield deep sea port at Manna Point in the southeast of the country. The SLPA views this as an opportunity to address the anticipated growing needs of the Sierra Leone economy; i.e. meeting the needs of future oil companies, other mining companies, the general business community, as well exploiting opportunities in neighboring countries by providing an alternative port of entry for landlocked Mali.

153. The opportunity for development of mining and other commodity transport infrastructure through the use of coordinated corridors in Sierra Leone might be limited, since a number of mining related transport investment have already been sunk. Given the enormous costs associated with building mining related infrastructure like railways and ports, it is not optimal that every mining company in Sierra Leone develops its own transport solution, resulting in multiple mining corridors in the country. These should be consolidated so that potential impacts on the public and the environment are contained and economies of scale can be realized. Development options that would allow for common corridors which individual miners—including ones that are too small to

[34] African Minerals Limited. Annual Report and Accounts 2008

develop such bulk transport infrastructures themselves—can utilize on an 'open-access' basis seems to be a better option for Sierra Leone.

154. Finally, a strong regulator should be appointed to oversee the development and operation of all resource related transport operations outside of mining lease boundaries. This regulator should ideally be closely connected to the Ministry of Transport and Aviation (MTA) as custodian of the Sierra Leone transport network although representation from Ministry of Mines and Mineral Resources (MMMR) would also be needed as transport investment negotiations generally form part of broader negotiations for granting mineral licenses.[35]

3.5. Institutional Issues

155. Across Sierra Leone's transport sector institutions, sectoral oversight is dispersed across various line ministries, government agencies and local councils governing road and maritime transport and logistics services. At least two ministries (MTA and MWHI) and one commission dictate policy and performance. The relationship between national and local responsibilities is not clear when it comes to roads and ports. Some major transport undertakings apparently fall outside the reach of the transport authorities like mining related transport infrastructure and services. It is not clear who is responsible for reviewing the performance of transport like in the case of the multi-entity committee that has to be formed consisting of MTA, National Commission for Privatization (NCP) and SLPA to review the performance of the Freetown Port concession.

156. The role of the SLPA in the Sierra Leone maritime sector needs to be stated more clearly as a Landlord port operator. It appears that the SLPA's role in overseeing the QE II Quay concession has been limited so far. It appears that other institutions like NCP, and now also by the ministerial committee assessing the concessionaire's performance, have also been active in carrying out the role of the landlord.

157. Transport sector planning in Sierra Leone lacks coordination. The MTA, as the main custodian of transport policy in the country, does not act as the center for planning work in the road and rail sectors. This is further compounded by the fact that MTA does not have direct oversight over a number of agencies (those overseen by MWHI and the NCP). In this institutional environment, it becomes very difficult for development strategies to be implemented effectively and gain traction, since interventions cannot be traced back to a single-point responsibility[36].

IV. Core Logistics Services

158. As infrastructure has improved across Sierra Leone in recent years, constraints facing logistics services have become more pronounced. Ensuring the competitive provision of high quality transport and logistics services is now the priority. Evidence shows that transport corridors with limited competition in road transport services face higher prices than those where there is more competition[37]. It is, therefore, important to also invest in regulatory reform in the logistics service sectors including trucking, shipping, warehousing, and customs clearing and freight forwarding.

[35] World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming).
[36] World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming).
[37] World Bank, 2011.

159. The lack of reliability and unpredictable delays, which do more damage than the average costs and time that can be factored into the supply chains, create high induced-logistics costs in low logistics-performance environments and add dramatically to the challenge of economic diversification in low-income countries like Sierra Leone.[38]

160. In Sierra Leone, the domestic transport and logistics services sector is underdeveloped with service providers lacking the capacity to provide reliable and efficient services. Consultations with logistics operators reveal that customs regulations as well as border management issues more broadly, are the most significant barriers.

161. If Sierra Leone fails to develop core logistics services it faces the danger of entering a vicious circle where high transport costs and low service levels dampen trade which will then further add to transport costs and reduce regional and global connectivity.

4.1. Trucking Services

162. The road freight sector in Sierra Leone is characterized by an unregulated system in which no permits are required for transporting freight. Freight companies in Sierra Leone generally have Lebanese, Liberian or Guinean ownership. Local ownership and operation of heavy vehicle fleet is very limited due to the high cost and scarce funding options to acquire new vehicles. Sierra Leone, therefore, accommodates a high number of vehicles registered in neighboring countries in inland as well as cross border freight operations. As a result, the domestic trucking sector is unable to take advantage of road haulage opportunities being presented by the influx of foreign investment in the mining sector.

163. Transport services are mainly performed on a one off contractual basis. Agricultural commodities such as palm oil, cocoa, rice and coffee are the main transport products, as well as livestock. Mining companies such as AML, LMP and Sierra Leone Rutile also use road transporters for outbound transport of minerals and for the inbound transport of containers.

164. Effective cross-border trucking services are essential for promoting the economic development of a country. This requires a certain level of regulation to ensure stability and safety in the movement of goods within a country and from one country to the next. Unfortunately, there are several factors that hamper the effectiveness of these operations in Sierra Leone and other West African countries including the following:

(a) Freight clearance involves cumbersome and costly procedures at customs and border posts. A large number of documents are required, although the requirements are not clearly defined. This is a major administrative hurdle, since documentation is often determined not to be in order despite all measures taken to ensure it is. This frequently escalates trade costs due to resultant delays which may last up to a week. These long and costly delays at customs and border posts encourage illegal trade and corrupt practices. Truck drivers are also subject to extortion by being required to pay extra to receive the required documentation in order to pass;

[38] Logistics Performance Index–Connecting to Compete 2012.

(b) No published tariff book is available to inform truckers of the rates to be paid for taking certain commodities across the border. This makes it difficult for trucking companies to plan ahead, and to make choices on feasibility of freight transport. This also enables border and customs officials to demand escalated tariffs;

(c) The harassment and extortion of truck drivers by border and customs officials is a commonplace occurrence. Due to the lack of transparency in border post operations, many customs officers and traders engage in bribery and under-declaration of goods as a means to facilitate payment. Travelers and truck drivers are charged exorbitant rates for free services, such as "overtime tax" often charged for travelling after hours.[39] This places severe restriction on the cross-border movement of both people and goods and raises the cost of doing business.

(d) Trucks experience considerable congestion and face extensive delays, as long as one week at border posts. There is a high level of bureaucracy at border posts due to the numerous functions like customs, security, police, immigration, calculation and collection of duties and taxes on both sides of the border. Agriculture, in particular, is negatively impacted by the delays and inefficiencies at border posts, particularly in relation to value-chain crops and livestock. The delays experienced by trucks carrying agricultural products, the density of checkpoints along the corridors, and unofficial payments to officials, severely impact the transportation cost of goods from the production zones to the consumer markets, driving up retail prices;

(e) The lack of implementation of existing MRU and ECOWAS Protocols gives rise to a multitude of impediments to the efficient operation of trucking services. These Protocols contain certain measures that allow for the free movement of freight and passengers between Sierra Leone and its neighbors. Border officials, however, do not always implement these protocols. While some are not aware of them, others are but do not implement them for personal gain. The public is also uninformed about these provisions and therefore does not demand these allowances when crossing borders. Part of the problem is that the institutional mandate at local level for implementation of protocols/conventions is not clarified;

(f) Arbitrary roadblocks/checkpoints and unlawful collections on transport routes disrupt traffic flow leading to increased delays. There are many checkpoints along the main roads, where trucks or buses are stopped and inspected. Officials will unnecessarily prolong inspection so that drivers will offer bribes just to continue with their journey. According to the Indigenous Transport Owners Association (ITOA), this issue is not limited to Sierra Leone and the same problem is also experienced in Guinea and Liberia;

(g) Poor infrastructure leading to and from some border crossings restricts the transport of cross-border freight transport. This especially affects the transport volumes between Sierra Leone and Liberia due to severely dilapidated roads;

[39] World Bank, Sierra Leone Transport Sector Strategy Development Study (forthcoming)

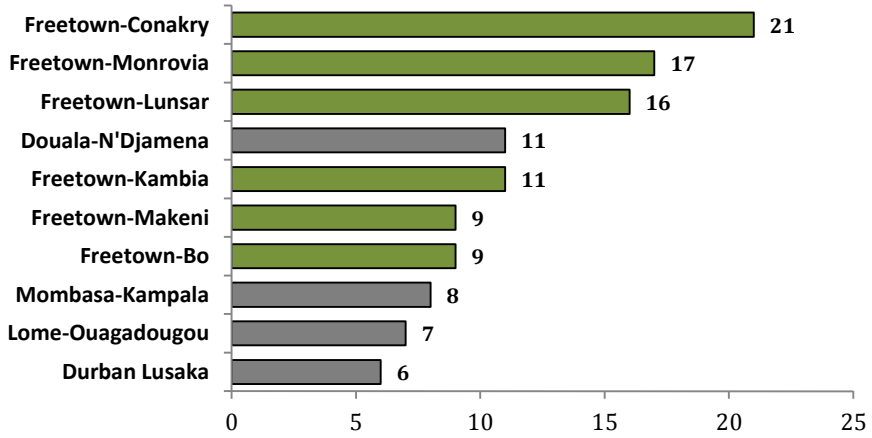
(h) Lack of reliable spare parts and loan facilities for trucks make it costly to maintain and procure fleets. The vast majority of spare parts entering the country are used parts from Europe and the U.S. and are not subject to any regulation standards. Many are faulty and malfunction rendering vehicles inoperable. As a result, it is difficult and costly to maintain vehicles. Trucks are also very expensive to buy in Sierra Leone, and there are a limited number of facilities available to fund vehicle purchases. There is a need for funding support to truck owners, which could be extended as soft loan facilities to allow businesses to procure vehicles;

(i) Low productive capacity in Sierra Leone leads to a low level of exports which has in turn heavily skewed freight transport in favor of imports, resulting in backhaul issues. Imports are distributed into the country via Freetown, but on the return journey trucks are mostly empty which raises the cost of road freight because the truck companies are compensating for their expenses on the empty backhaul in the first leg of the trip; and,

(j) Domestic trucking companies and associations lack the resources to build the capacity and skills of drivers that would make them more knowledgeable with respect to regulations and their rights under MRU and ECOWAS protocols. The SLRTA is responsible for providing capacity building, which would be funded through the Road Maintenance Fund, however, the ITOA has reported that to date this training has not taken place.

165. The impediments described above result in high costs for moving road freight both within the country and across borders. Based on prices obtained from the ITOA and other sources, road freight costs in Sierra Leone are much higher than some major routes in sub-Saharan Africa.

Figure 16: Road Freight Rates (US cents per kmt)



Source: World Bank staff estimates based on data from the ITOA and Raballand and Teravaninthorn, 2008.

166. The cost of moving freight along the two major international routes, Freetown to Conakry and Freetown to Monrovia, is 21 and 17 cents per kilometer ton (kmt), respectively, whereas the cost along the Lome-Ouagadougou route is just 7 cents per kmt (Figure 16). Even when there are no border crossings involved, the cost of moving freight in Sierra Leone is very high. Transporting goods, for instance, from Freetown to the mining area of Lunsar is 16 cents per kmt.

167. In conclusion, it is evident that there are numerous problems restricting the movement of freight and impeding the provision of efficient road haulage services—all of which drive up the cost of road freight. Although all of the issues can be further divided into separate categories, a common thread linking them is the inadequate implementation of the MRU and ECOWAS protocols, which contain measures to ensure the free and unobstructed movement of freight and passengers in Western Africa.

4.2. Clearing and Forwarding Services

168. Clearing and forwarding agents provide one of the core services along the international supply chain. They link the various components of international trade, including shipping lines, port operators, border agencies, trucking and railway services, exporters, and importers. How the clearing and forwarding services are organized and how efficiently they work is critical to the overall performance of a country's growth and competitiveness.

169. Clearing and forwarding services in Sierra Leone are in a position similar to trucking, in which the sector is unable to provide efficient services due to weak capacity. The clearing and forwarding sector is characterized by a large number of small operators, mostly from a customs background, who are reported to be lacking professionalism and do not have the requisite skills to provide the full range of services required by traders.

170. Under the program to modernize the NRA, the licensing of clearing and forwarding agents was transferred from the MTA to the NRA. As one of the coordinating entities of the NRA, comprehensive training was provided in 2011 to licensed agents in areas of customs valuation, classification of imported goods, and the rules of origin. Despite significant improvements in the quality of services provided by clearing and forwarding agents, representatives of the sector have indicated that further training is required in the areas of classification, and in particular, the ECOWAS CET.

171. The licensing of clearing and forwarding agents is another issue that remains unresolved. The NRA Board gave approval for the registration scheme in November 2012, at the time formal annual registration was to take place but the CED waited for written confirmation before taking action. There have been no recent discussions with the Association of Clearing and Forwarding Agents (ACFA) about the new procedures and all clearing and forwarding agents remain unlicensed. Until agreement is reached on implementation of the new registration system, the CED will have to continue under old arrangements and will have no effective sanctions against persistently poor agents. Furthermore, the NRA will potentially lose a significant amount of revenue, as the registration fee for each license (Le2 million or about US$461) is not being collected. One of the key stipulations of the new licensing scheme will be that clearing and forwarding agents are adequately equipped with the skills to complete accurate and timely declarations. It is therefore crucial that the new licensing scheme be implemented as soon as possible.

172. In 2011 a memorandum was issued limiting clearing and forwarding agents from providing services to Government Ministries, Departments and Agencies (MDAs). Clearing and forwarding services for all MDA's are carried out by the state owned Sierra Leone National Shipping Company (SLNSC). Government should lift this restriction, as this will allow the sector to become more competitive.

173. A number of clearing and forwarding agents reported that despite some progress made in the clearing process, that they continue to face challenges with the port operator, CED, and the SLPA. Clearing and forwarding agents reported that there is still too much bureaucracy involved in the clearing process at the quay, resulting in delays and rising demurrage costs. They also noted that some agencies also received preferential treatment in the clearing process and that a level playing field should be created for all agencies providing clearing and forwarding services.

174. Another constraint for clearing and forwarding agents is reported to be costly delays caused by the scanning facilities and the limited working hours at the scanning department, which they requested to be extended to expedite the process. Since the inauguration of new handling equipment at the QE II, some of the issues related to delays in the areas of discharging, scanning and delivery of containers have subsided. Other issues relating to facilities such as inadequate lighting system and security, however, remain a constraint to the efficient provision of clearing and forwarding services.

4.3 Shipping Services and the Sierra Leone National Shipping Company

175. Another issue relating to logistics services concerns the Sierra Leone National Shipping Company (SLNSC) established under the National Carrier Agreement Ratification Act, 2012, which has raised concerns in the private sector and with donors, neither of which were consulted during the preparation of this legislation. This Act mandates preferential treatment of a national company at the expense of other shipping companies by mandating that shippers use the SLNSC for 40 percent of all their shipping needs. Shippers will no longer be able to select their shipping line based on the best service and price, and will be subject to the prices set by the SLNSC.

176. These arrangements, reminiscent of cargo reservation schemes popular in the 1980s like the so-called 40-40-20 rule[40] have largely failed and been abandoned around the world as they resulted in increased corruption, lower levels of service and higher prices.

177. Furthermore, it is not clear that the SLNSC can provide sufficient capacity to move all cargo at a cost equal to or less than the international shipping lines or has the global network to access all key markets for the designated commodities by avoiding unnecessary and costly transshipment.

178. The National Carrier Agreement Ratification Act also violates international agreements that the Government has entered into with the WTO, in particular provisions regarding market access, maritime transport, and internal waterways transport under the General Agreement on Trade in Services (GATS). Under this agreement with the WTO, the Government has committed itself to ensuring that there are no restrictions or limitations on foreign market access and/or national in the field of maritime transportation.

179. The enforcement of the National Carrier Agreement Ratification Act is a counter-productive measure that will be detrimental to competitiveness in the longer term. This act will lead to a loss of confidence among Investors who will be reluctant to invest in an economy that turns to anticompetitive measures to raise capital, resulting in the possible loss of thousands of productive jobs.

[40] UN Code of Conduct for Liner Conferences 1983.

Shipping Costs

180. Shipping costs for importing goods through the Port of Freetown are higher compared to other ports of entry in the region. Although sea freight costs for importing a TEU equivalent are more or less similar for the selected ports, procedural costs like preparation and processing of documentation, and inspection drive costs up for Freetown. Importing goods through Freetown is on average 20 percent more costly than importing through ports in neighboring countries due to costly clearance procedures (Table 12).

Table 12: Sea freight and procedural costs for importing through West African ports ($US/TEU)

Import Procedures and freight	Freetown	Conakry	Monrovia	Dakar	Lome
Documents preparation	635	245	590	300	440
Customs clearance and technical control	600	250	355	360	189
Ports and terminal handling	255	596	125	720	223
Inland transportation and handling	290	300	250	360	257
Total cost of procedures	1,780	1,391	1,320	1,740	1,109
Sea freight*	2,700	2,700	2,600	2,600	2,500
TOTAL	**4,480**	**4,091**	**3920**	**4,340**	**3,609**

Note: Data is for imports from Dubai.
Source: Doing Business (shipping lines).*

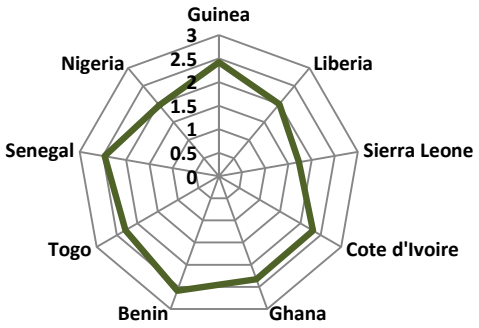
V. Customs and Border Management

181. The 2006 DTIS prioritized comprehensive measures to reform customs and border management to overcome challenges like long clearance times and high trading costs. It is apparent that significant progress has been made in implementing these reforms, with some tangible improvements on the ground.

182. In order to successfully implement the comprehensive reforms to modernize customs and border management, sweeping changes in the legislative framework were needed. The Customs Bill was enacted in July 2011, which provided the legislative framework necessary to comply with international best practices. Other achievements include the streamlining of customs procedures with the introduction of ASYCUDA++ and the green channel and significant improvements in the classification and valuation capability of customs officials. Weaknesses remain, however, in particular with technical and capacity issues in the implementation and maintenance of ASYCUDA, and the lack of progress in moving to a risk based system for clearance.

183. As a result of these remaining challenges, customs clearance can still be time consuming and costly to traders. According to the most recent LPI rankings, Sierra Leone ranks the poorest among countries of the region in terms of customs efficiency. Moreover the cost of clearing customs at the Port of Freetown is also the highest among comparator countries—more than double that of neighboring ports including Conakry, Cotonou, and Lome according to the World Bank's latest Doing Business report (Figure 17). At the Port of Freetown, cargo clears customs in an average of 6 days, whereas in Monrovia only one day is required for clearance.

Figure 17: Customs Efficiency Rankings and Customs Clearance Costs and Time for Imports



	Cost (US$)	Time (Days)
Freetown	600	6
Conakry	250	4
Monrovia	355	1
Abidjan	300	7
Dakar	360	3
Lome	189	3
Cotonou	250	3

Source: LPI 2012 and Doing Business 2013.

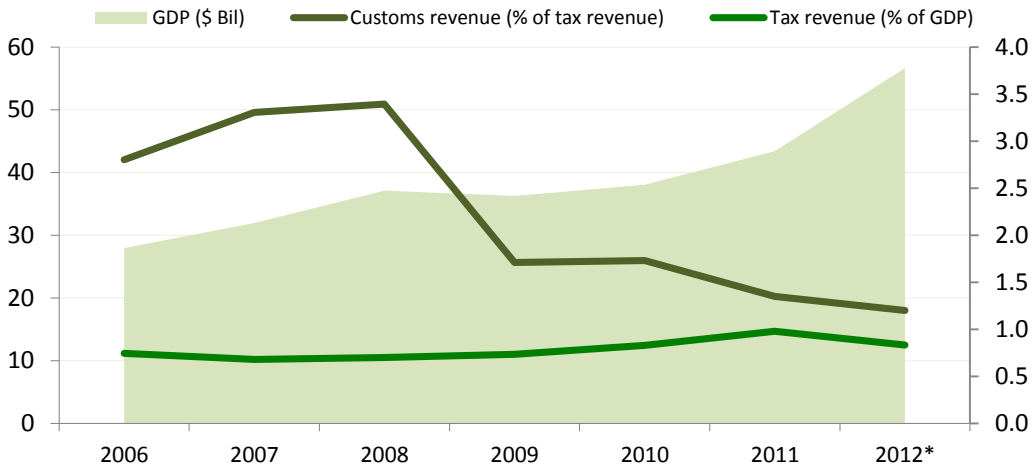
184. In addition to facilitating trade and reducing costs tax and customs modernization efforts, also aim to reduce revenue leakages to maximize the collection of duties. While increasing in absolute terms from Le169 billion in 2009 to Le237 billion in 2011,[41] customs duties collected as a share of total tax revenue have declined by half, while the overall value of imports and tax revenue to GDP has grown during this period. In 2008 import duties accounted for half of all tax revenue, whereas in 2011 import duties contributed only 20 percent of total tax revenue collected (Figure 18).

185. The increase in total tax collections is no doubt, in part attributable to GDP growth and the introduction of an *ad valorem* tax—The Goods and Services Tax (GST). The increase in tax revenue alone (only 3 percent from 2009 to 2012), however, is not enough to account for the decreasing share of customs duties in total tax revenue. Another explanation could be that in the run up to an election year in 2012, discretionary waivers and exemptions given on politically sensitive commodities led to a fall in the share of import duties collected. For instance, excise collected on petroleum imports accounted for 14 percent of total tax revenue in 2009, but fell sharply to just 2.5 percent in 2011.[42]

[41] NRA Monitoring, Research and Planning Unit.

[42] NRA Monitoring, Research and Planning Unit.

Figure 18: Customs duties and tax revenue collected, 2006-12



Source: NRA, IMF and World Development Indicators.

186. The restoration of excise duty on petroleum products in July 2012 following the implementation of the two-tier petroleum pricing system provided a critical boost to revenue performance in the second half of the year. As a result of this measure, the increased collection of petroleum excise cushioned the less impressive performance of imports duties during the second half of 2012. The suspension of discretionary waivers following a pronouncement by the President lowered discretionary duty waivers by about Le50 billion in 2012 compared to 2011. Consequently, the CED exceeded its revised revenue target for 2012.

Some of the remaining challenges in customs and border management relate to the following areas:

5.1 Implementation and Maintenance of the ASYCUDA System

187. The adoption of ASYCUDA++ in 2010 was intended to reduce bureaucratic and administrative hurdles, and thus clearance times and costs for imports and exports. Overall, the introduction of ASYCUDA has provided a major improvement in processing of documentation and is now well established at the QE II Quay despite early resistance from both within CED and the trading community.

188. A number of problems remain, however, due to the frequent power shortages and inadequate and unreliable ICT infrastructure. These result in malfunctions of the ASYCUDA system which often leads to sudden shut downs causing long delays in clearing goods and subsequent demurrage costs that agents and importers incur.

189. Stakeholder consultations reveal that the (non-customs) management of NRA does not fully understand the level of ongoing support an IT system like ASYCUDA++ requires to operate smoothly. The ASYCUDA system needs attention in a number of areas including United Nations Conference on Trade and Development (UNCTAD) technical appraisal and modification. The following priority issues need to be addressed:

- An adequate reliable power supply with additional stand-by generators needs to be set up onsite;
- Real-time back-up facilities both onsite and with the BSL need to be secured; and,
- CED should provide ongoing IT related capacity building training to staff operating and maintaining the ASYCUDA system.

190. The constant and continuing need to modify risk criteria and importer profiles has placed increasing demands on the system itself and the ASYCUDA++ support team. Both are finding it increasingly difficult to cope successfully with the pressures. It is a credit to the ASYCUDA team that despite the absence of the required resources and additional training they have managed to keep the system operational so far. Once these issues are addressed the operation of ASYCUDA is expected to run smoothly and significantly ease some of the congestion experienced within the container terminal, subsequently improving the operating environment and efficiency of logistics service providers.

5.2 Moving to a Risk Based Approach to Inspection

191. One of the recommendations of the 2006 DTIS was to put in place measures that would enable retirement of the PSI contract with Intertek, which resulted in the termination of this contract in 2008 and introduction of a DI Scheme conducted by CED. In September 2012, a new DI agreement formulated by the MTI was awarded to ALIC without prior consultation with or full understanding of NRA/CED needs, or consent of the NRA Board. The contract is considered not 'fit for purpose'[43] by some evaluations undertaken by donors.

192. With the retirement of the PSI scheme it becomes vital that core competencies of customs officials (valuation, classification, origin determination etc.) are not eroded and that knowledge is effectively transferred from the inspection company to customs administration officials. It is, therefore, difficult to understand why a decision was made to hand over DI from CED to ALIC, after a considerable investment was made in the building of capacity of CED staff.

193. There are also other concerns with this contract as it involves no International Destination Valuation (IDV) Database, and it acts like a replacement to ASYCUDA++ or at least duplicates it, resulting in disparity in duty charges between the CED and ALIC. Most importantly, the inspection costs have reportedly doubled under the ALIC contract when compared to the old Intertek contact. The Intertek charge was based on one fee of 0.9 percent of CIF value with exemption if below US$2,000 in value with no cost to the GoSL. The fees for the ALIC contact comprise three elements and are more than double the previous Intertek fees. This has imposed a substantial cost on the Government. Under ALIC, fees are 0.8 percent of FOB import value (with no minimum exemption) and 0.2 percent SLSB charge payable by importers, in addition to a computerized risk management system which is charged at 0.8 percent of FOB import value payable by GoSL. In addition, the practice of scanning empty containers also needs to be stopped since it creates unnecessary delays and costs.

[43] Consultations with DFID staff and consultants.

194. It is apparent that the awarding of the DI scheme contract to ALIC runs counter to modern customs reform practices, and has increased the cost of inspection. It should therefore be reconsidered in close consultation with the CED.

195. In a recent development, in June 2013, 23 Heads of Customs administrations of West and Central Africa, including Sierra Leone, came together in Brussels at the World Customs Organization (WCO) annual council to work towards the termination of Pre-shipment Inspection and Destination Inspection service contracts. The meetings resulted in the adoption of the Niamey Declaration on the Provision of Inspection Services. In accordance with this declaration, Sierra Leone should put in place a plan to retire DI and transfer inspection to CED.

196. In making further progress in fostering modern customs practices, a major move is required away from the traditional 100 percent physical inspection of goods and documents, which is one of the leading causes of extended delays and costs. The CED has only recently attempted to change its operations in line with international practice to support trade facilitation. CED is struggling to adopt a more automated-systems approach based on risk management supported by the ASYCUDA system. Despite the risk advice and training provided through the DFID project, risk management is still seen by many staff as a single specific organizational unit of CED and not as an underlying foundation on which all CED decisions and operations should be based. There remains a gap in staff understanding of how risk management works, its vital importance and how each and every officer must be involved in and contribute to the system.

197. Shortcomings with the Green Channel remain, which was introduced by CED in November 2011. Since most agents and brokers are deemed to be 'high risk', inspection clearance based on risk management criteria for large and reliable commercial importers does not exist. As a result, unnecessary inspections increase clearance times and contribute to further congestion at the port. The target date for Green Channel clearance was 30 percent by March 2012. By end of December 2012 the Green Channel percentage was at 15 percent.[44] This target needs to be adjusted and greater effort applied to achieve at least 35 percent by the end of 2013.

5.3 Taxation of Petroleum Product Imports

198. Following recommendations from the 2006 DTIS, a series of capacity building exercises were undertaken with donor support to build the skills of customs officials. A training facility was established at customs headquarters in 2008, which has since provided training to customs personnel and their private sector counterparts in areas of valuation, assessment, and risk management. Capacity of CED staff in taxation of petroleum products remains very weak, however, and needs to be addressed as soon as possible.

199. The CED is responsible for the assessment and collection of import duties on petroleum products, which is conducted in a different manner than for other imports. Currently when petroleum products are imported, no assessment is made of the duties payable on the quantity imported. Instead the fuel is collected from the tanker ships and delivered to a bonded warehouse from where it is distributed to retailers, tax-exempt organizations like the UN, and for bunkering purposes.

[44] CED.

200. At the warehouse, a CED representative is responsible for recording all collections by retailers and other entities. According to the Auditor General's report[45] this representative is absent much of the time and lacks the skills required to properly assess quantities that are being removed from the warehouse. Consequently, duties end up being only levied on the quantities declared by retailers. Even when duties are levied by customs, in some instances they are not actually collected. This lack of capacity to assert adequate control over taxable and non-taxable petroleum products also creates opportunities for corrupt practices, resulting in significant customs revenue loss for Sierra Leone.

5.4 Porous Borders and the Prevalence of Smuggling

201. Smuggling of goods through borders with Guinea and Liberia is pervasive and continues to deprive Sierra Leone of significant tax revenue. Smuggling implies evading the payment of customs dues for dutiable commercial goods imported into the country. This illegal movement of goods takes place on a small-scale sporadically, as well as organized large-scale operations. The most commonly smuggled goods include imported foodstuff, staple foods like rice and gari, palm oil, electronic goods, lubricant oils, clothing and shoes, and general merchandise.

202. In an effort to help minimize the incidence of smuggling and revenue leakage, the Preventive Services and Special Duties Unit (PSSD) functions within the CED. Certain routine customs procedures are monitored by PSSD to ensure compliance with customs regulations. Areas covered by the monitoring are: warehousing and ex-warehousing, duty free consignment, factories, transit and transshipment.

203. As one of the recommendations of the 2006 DTIS, FAST were set up with the primary task of executing anti-smuggling operations at the border and inland areas by acting on information provided by intelligence sources. There are currently three operational FAST teams covering the western, northern, and southern areas of the country. Given the porousness of Sierra Leone's borders, however, the need for a more focused and robust FAST team should be considered for western and northern regions. In addition, the 62 PSSD officers currently deployed at the QE II Quay, who duplicate the efforts of the CED would be better utilized inland, especially along the border with Guinea in Kambia.

204. Another effort introduced to combat cross-border smuggling has been the contracting of a cargo destination inspection company, Sierra Inspection Company, in August 2012 to establish a Cargo Inspection Service at the Lungi international Airport and all other land border customs posts, starting at Gbalamuya later in 2013. Trained officers will be tasked with the responsibility to scan, monitor and inspect all cargo entering the country, an effort which is expected to help reduce smuggling. The roll out of ASYCUDA to Gbalamuya and Gendema, if implemented properly, will also help to curb the illegal movement of goods across these borders.

205. In addition, the location of customs border posts in relation to actual borders is not helping the fight against smuggling. In Sierra Leone a number of customs posts are placed at considerable distances from the actual geographical borders, making it even more difficult to prevent smuggling. For example, the customs post located in Koindu is almost three miles from the Mendekorma border with Liberia. This considerable distance enables smugglers to veer off footpaths and move

[45] National Audit Office Report on the Accounts of Sierra Leone for Fiscal Year ending December 31st 2011.

in and out of the country unnoticed. Similarly, the customs post in Buedu is almost six miles from the actual border with Liberia in Koindu, allowing vehicles to avoid going through customs by diverting towards Kailahun, and then on to Freetown. Currently, very little trade takes place at these borders due to the poor state of the roads. With the planned upgrading of road infrastructure, however, trade flows are expected to increase significantly. Taking the appropriate precautions ahead of time at these vulnerable border outposts is, therefore, recommended.

5.5 Ineffective Communication of Rules and Procedures to Trading Community

206. Trade related policies and procedures change frequently. These are not, however, adequately communicated to those involved in the cross-border trading of goods like farmers, traders, and truck drivers, especially to those in remote areas. The trading community lacks complete information that would help enable them to meet their Customs obligations. Strengthening partnerships and holding regular and formalized dialogue with the trading community and particularly consulting them when changes in processes, procedures, and systems are being contemplated would contribute to making the system more effective.

207. The enactment of the Customs Act in 2011 prompted a nationwide sensitization initiative on new rules and procedures carried out in early 2012. Consultations with stakeholder groups highlighted the need for further actions to better communicate changing rules and procedures. If those involved in the trading community are made better aware of their rights and obligations under the laws of Sierra Leone, as well as existing MRU and ECOWAS protocols, the opportunities for extortion and other corrupt practices can be significantly diminished.

208. What is required is a more collaborative approach to border management whereby the CED actively works in partnership with other border agencies and the entire trading community to ensure policies are fully understood and complied with, while ensuring that new barriers are not created. The adoption of and compliance with a charter for small-scale cross-border traders, currently being implemented as a pilot project in the Great Lakes Region, could help support the proper communication of trade rules, procedures, rights and obligations to the trading community (Box 3). The proposed measures could help reduce the border delays and the additional costs imposed on traders and consumers. Improving the procedures at the border can increase government revenues and accelerate trade. In addition, it is a fundamental right for traders and officials at the border to be treated in a courteous and professional manner.

Box 3: Charter for Cross-Border Traders - Basic Rights and Obligations for Traders and Officials at the Border

1. All individuals shall be able to cross the border without verbal or physical abuse or harassment including but not limited to sexual and gender-based violence
2. Traders shall be processed at the border in an efficient and timely manner without discrimination. A receipt must be provided to the trader for any payment made and the payment properly recorded.
3. Only officials of the approved agencies are present at the border and all border officials wear uniforms or ID badges that allow the identification of their respective agency.
4. Physical checks of traders must be recorded with the reason and outcome provided. Female traders have the right to receive a physical check by female officials in a private but regulated and accountable environment.
5. All duties, fees and taxes and the basis for their calculation are publicly available at the border. Any change to duties, fees and taxes must be publicly announced at the border, with reasonable time for traders to prepare, before their application. No unpublished fees or charges should be demanded at the

border.
6. Documentary requirements should be clearly stated and publicly available at the border. Any change in documents required must be publicly announced at the border with reasonable time for traders to prepare before implementation. Simplified procedures should be applied to small traders.
7. Traders should be aware of their rights and obligations when crossing the border. Traders must present required documentation and pay appropriate duties at the border and to obtain a receipt for any payments made to an official. Traders shall not attempt to bribe any official to avoid payment of duties or obtain preferential treatment in any way, including avoiding queues.
Source: World Bank.

5.6 Implementation of the Joint Border Post at Gbalamuya

209. The commissioning of the Freetown–Conakry Highway and the opening of the common border post at Gbalamuya in June 2012 represented a milestone in Sierra Leone's efforts to facilitate cross-border trade. Beyond the rehabilitation of the road linking Sierra Leone to Guinea, the completion of the project also supports Sierra Leone's integration within the wider ECOWAS region and the road network that will secure the interconnectivity of West Africa.

210. By replacing the multiple stops and duplication of procedures required for clearing of goods, the joint border post was intended to reduce clearance times, reduce opportunities for corrupt practices, and boost revenue collection. The slow progress made in the implementation of ASYCUDA at Gbalamuya, lack of utilization of newly built facilities, pervasive smuggling and corruption, and a lack of coordination and collaboration among the PSSD, CED officials, and police forces at Gbalamuya, however, highlights that joint border posts are not only about building the physical infrastructure but a long-term process which requires ongoing commitment, negotiations, and harmonization of procedures and policies.

211. An inter-agency collaborative approach to border management is needed for the successful operation of the joint border post at Gbalamuya. There should be institutionalized structures to improve cooperation among border control agencies, with appropriate change management support to build trust and a common understanding amongst agency personnel.

212. The successful implementation of a joint border post is also based on receiving, analyzing, processing and sharing information. The right ICT systems and connectivity are integral for effective collaboration between the various agencies operating at the border. The ICT required for a joint border post operation requires careful planning from the outset, and the adoption and implementation of systems should reflect revised border procedures and processes that have been simplified and harmonized, and designed to be compatible with joint border post operation.[46] Before ASYCUDA is adopted at Gbalamuya (and also Gendema), adequate power and ICT infrastructure must be provided to ensure the efficient and uninterrupted operation of the system.

[46] Crown Agents: One Stop Border Posts in Africa (2012)

5.7 Lack of Reliable Trade Statistics

213. There is a lack of an integrated mechanism for the collection of Trade Statistics. A National Strategy for the development of statistics in Sierra Leone covering the period 2008-2013was developed with assistance from the World Bank. With the conclusion of this strategy in 2013 a new one which provides support to build capacity within Statistics Sierra Leone (SSL) in the collection and analysis of trade statistics, needs to be developed and implemented.

214. Many customs posts do not collect data on imports and exports, and at those that do, like Gbalamuya and Gendema, collection is done manually and, as a result, data lacks reliability. Since the QE II Quay and Lungi International airport are the only customs posts that are automated, trade data for Sierra Leone is heavily skewed towards trade taking place through these two locations. Given the increasingly large volume of trade taking place across land borders, the result is inaccurate data on the volume, direction, and composition of imports and exports. Informal cross-border trade further exacerbates the situation. As a result, there is very little reliable trade data available for Sierra Leone, especially for intraregional trade, and policymakers, donors, and researchers have to rely on partner country data for their analyses.

215. In addition, the data relating to the specific number of vehicles crossing between Sierra Leone, Liberia and Guinea is not publicly available. One of the aims set out in the ECOWAS protocol is concerned with collecting and compiling data on the inter-state movement of goods, therefore, this data should be made publically available.

216. In the absence of reliable and timely trade statistics it becomes very difficult to effectively formulate national and regional policies for facilitating trade to improve the quality of logistics services and build trade infrastructure like roads and ports. Reliable trade data is also needed to monitor and evaluate the impact of such policies and investments. As Sierra Leone continues to upgrade its infrastructure and reform its institutions and policies to facilitate trade, putting in place a mechanism which allows for the collection of accurate trade statistics is now more important than ever.

217. There is currently no single body responsible for the collection of trade data in Sierra Leone. Every entity collects their own data but there is no integrated system for collecting, compiling and analyzing trade statistics. SSL should be the main entity responsible for establishing an integrated mechanism for the compilation of trade data. This will require additional allocation of resources to the institution, building up the skills and capacity of statisticians, and establishing closer collaboration between the various entities involved in the collection of trade data.

VI. Informal Cross-Border Trade

218. A significant amount of cross-border trade takes place on an informal basis between Sierra Leone and neighboring countries, carried out mostly by individuals or micro and small firms. The biggest driver of informal cross-border trade, as is for formal trade, is rapid urbanization and subsequent increase in the demand for staple foods like rice and gari emanating from urban centers like Conakry, Freetown and Monrovia. Exchange rate variations also influence the direction of cross-border trade flows of imported goods, particularly rice.

219. Formalizing such informal activities would provide more reliable revenue streams for the state and enhanced security for traders through improved knowledge and enforcement of rights and responsibilities of all stakeholders at the border. In order to bring informal trading activities into formality and expand the tax base, a number of steps need to be taken to simplify business registration, harmonize and simplify import and export procedures, eliminate harassment, extortion and other corrupt practices at the borders, and provide targeted support to small firms that register formally. In addition, a system to monitor and accurately estimate informal trade flows needs to be established in order to understand the nature of these activities and craft better policies to help bring these traders in to the formal sector.

6.1. Trade Routes, Volume, and Composition of Flows

220. The main routes for informal small-scale cross border trade include Bombohun, Kalia, Congo, Gbalu and Dassalamu on the Gendema axis; Informal routes at the Kambia axis include Madina, Gbolum and Chychem. No informal route of significance was reported along the Koindu axis.

221. Generally, data on the volume of trade for various commodities along the designated corridors is unreliable. This is attributed in part to the poor structure and quality of data collection by customs officials, and the absence of records for trade-flows along informal routes.

222. According to a survey conducted as part of a comprehensive study on informal cross-border trade by FEWSNET in 2010, Sierra Leone is an emerging gari, local rice and palm oil supplier for the Guinean market. Sierra Leone's monthly gari exports to Guinea exceed 1,000 tons. Liberia's Ganta market (Nimba County) handles some 90,000 liters of palm oil every week, making it one of the region's largest. In addition to being a net food importer in its own right, Guinea functions as a gateway to regional markets, including Senegal and Mali. Groundnuts are imported from Mali through Guinea.[47]

223. Based on discussions with various stakeholders (Customs Officers, Transporters, Traders and Community Elders) and physical observations, the following inferences are drawn:

(a) Gari (from cassava) is the commodity with the largest volume and frequency of informal (and formal) flows across the border to both Guinea and Liberia. Rice does not officially flow from Sierra Leone to Liberia due to: (i) a ban on importation of rice from Sierra Leone into Liberia; and (ii) preference of Liberians for a local variety 'Pusawai'. Flow of rice into Guinea from Sierra Leone is informal and volumes are undocumented; and (iii) since the local rice market is very thin, prices of local rice varieties fluctuate frequently, which also limits flows;

(b) Although export of palm-oil from Sierra Leone is banned, palm-oil is exported through informal routes. In this case, only masankay (from tenera variety) is traded in significant quantities as it is considered more suitable for soap-making in Guinea. The flow of 'Red' palm-oil (preferred for human consumption in Sierra Leone) is reported to be negligible. No significant palm-oil is exported into Liberia;

[47] FEWSNET (2010)

(c) In terms of cocoa, no flow from Sierra Leone was observed or reported. On the contrary, large quantities are brought in from Ivory Coast, Ghana and Liberia. This is reportedly due to: (i) high tariffs (licenses and taxes) in these countries (leading to low farm-gate prices) and (ii) relatively higher farm-gate prices in Sierra Leone; and, (iii) in the case of Liberia, poor road networks from production areas close to the Sierra Leone border to the capital Monrovia forces Liberian cocoa farmers/traders to sell into Sierra Leone. Due to the lack of enforcement of grading and standardization in the cocoa industry in Sierra Leone, all grades of cocoa fetch the same price. This creates a pull factor for cocoa from neighboring countries. This may have implications for the actual volumes of Sierra Leone cocoa exported and the international quality rating of cocoa from Sierra Leone; and

(d) Beyond the commodities considered in this study, it was discovered that commodities such as kola-nuts, oranges and fish are traded in significant quantities across the border with Guinea (in the case of kola-nuts) and Liberia (oranges and fish).

6.2 Structure of Trading Relationships

224. Cross-border trade is conducted mostly by middlemen/traders who buy their produce from farmers, processors and agents either from distant production areas and/or periodic markets close to the border crossing points. Commodities are mostly transported by road on commercial vehicles that charge per bag of gari.

225. Most of the informal traders reside in the vicinity of the crossing points but some come distant locations to transact business. They have no particular social ties with people across the border in Guinea or Liberia. The only common binding factor is that they speak the same local language, which may facilitate business transactions. Moreover, the fact that most traders have been on these routes for significant periods of time and are very familiar with the large number of informal crossings may be a contributing factor to ease of informal trade.

6.3 Challenges Faced by Informal Traders

226. While there are no restrictions to enter into the informal market, a number of barriers are faced by informal traders as they move goods in and out of neighboring countries. These barriers increase costs at the logistics/trading stage of the value chain thereby increasing transport costs of commodities and potentially reducing their competiveness. Similar to formal traders, the most prominent among these are numerous checkpoints along the roads where traders pay informal taxes and bribes and poor road conditions especially on the Sierra Leonean side of the Gendema axis and both sides of the Koindu axis. On the Gendema-Monrovia route alone there are nine checkpoints (three on the Sierra Leonean side and six on the Liberian side). On the Koindu front, there are six checkpoints to Foya in Liberia and four to Guinea. In the case of Kambia axis, four checkpoints were listed.

227. Poor road networks are a disincentive for informal traders (and formal) to move commodities especially during the rainy season. This has a rippling effective of dampening farmers' motivation to produce, as market potentials are limited. Bans on imports and exports of commodities across the border inhibit free trade and further fuel informality. These costs were

estimated at Le690 for women and Le710 for men for each trip, and represented about 37 percent of transaction costs.[48]

228. Various forms of harassment and violence also affect informal cross-border traders. According to the FEWSNET survey, the obligation to pay bribes and sexual harassment against women are the most commonly named forms of violence constraining informal cross-border trade, followed by the confiscation of goods, as well as imprisonment and detention. Female traders face sexual harassment and abuse, which expose them to health hazards, particularly the risk of contracting HIV/AIDS.

6.4 Monitoring System for Informal Trade Flows

229. Regional trade in agricultural products is generally under-represented in official statistics, especially as it takes places through informal channels and with partners that may not keep proper records of this trade. An integrated mechanism is therefore needed to monitor and record informal trade flows to get a better handle on the full scope and scale of trade volumes. The informal cross-border data collection system that Uganda established in 2007 could provide a framework for a similar mechanism to monitor and record informal trade statistics for Sierra Leone. (Box 4) Establishing and implementing such a mechanism would require close collaboration between key entities such as SSL, NRA, MTI, and the BSL, among others.

Box 4: Mechanisms for Collecting Informal Cross-Border Trade Data: The Case of Uganda

In 2007, the Bank of Uganda (BoU) and Uganda Bureau of Statistics (UBS) put in place a framework for estimating informal cross border trade (ICBT) data, based on monthly surveys of trade at all of the main border posts. According to the 2007 UBS ICBT Survey, Uganda's informal trade with its neighbors was estimated at just under US$777 million, which accounted for 58 percent of the country's formal sector exports for the same year.

The collection of ICBT data follows the General Trade System (GTS) of compiling International Merchandise Trade Statistics. The GTS requires that all goods leaving or entering the country be recorded as they cross the customs frontiers. The informal commodities exports are estimated at free on board (FOB) value while the imports are valued at cost insurance and freight (CIF) value. All these valuations are based on quantities and prices collected from nearby trading centers of the border point where informal trade is monitored. The recording includes the following:

(i) All merchandise leaving/entering the country carried on foot, by bicycle, push carts, motorcycle, vehicle, wheel chairs, mule and boat whether in large or small quantities that are not recorded by customs authorities; and,
(ii) Undeclared or under declared merchandise by traders on formal customs declaration documents.

Recording of informal trade is based on direct observation and, for verification purposes where necessary through inquiries made to traders, clearing agents, revenue officers and security personnel. All traded goods that are not recorded by Customs Authorities are captured at the point of crossing the customs frontiers in counter books or vehicle forms specifying the name and quantity of the commodity and the mode of transport.

[48] FEWSNET (2010)

The ICBT data processing is undertaken jointly by UBS and BoU after submission of field returns. The information is captured on a monthly basis at UBS and edited by officials from both institutions for accuracy. The data is also coded to facilitate its transformation to the Harmonized Commodity Coding and Description System (HS) and Standard International Trade Classification (SITC) Nomenclatures.

Source: Bank of Uganda

VII. Conclusion and Recommendations

230. The recommendations of the trade facilitation chapter of the DTIS Update focus on building upon improvements made since 2006 by fully implementing strategies and protocols already in place, and put forth interventions aimed at building up the quality and efficiency of core logistics services and promoting modern customs and border management practices. These recommendations also help to ensure that infrastructure investments truly achieve their purpose by linking these to institutional reforms which transmit the benefits from hard infrastructure into more reliable supply chains and lower transport and trade costs.

The recommendations in this trade facilitation chapter of the DTIS Update are designed around four broad areas:

1. Eliminate Infrastructure Bottlenecks and Improve Intermodal Connectivity

231. ***Adequately fund the road maintenance program:*** In the absence of routine maintenance works, the road network deteriorated in years since 2006. Furthermore, the newly reconstructed roads will also soon deteriorate without a properly funded road maintenance program in place. The SLRA should ensure that a robust plan for road maintenance is in place before further construction and rehabilitation of roads: the Road User Charge needs to be restored to a level consistent with the funding required to maintain the core road network (RUC of 12 UScts/liter). This increase can be implemented gradually over a one year period.

Improve access to and from the port to reduce congestion:

232. Roads should be widened where necessary to accommodate heavy vehicle maneuvers. Vehicles parked curbside of the carriageway which restricts heavy vehicle movements should be prohibited and alternative locations to park should be provided. Shops and/or market stalls encroaching on road space causing congestion, particularly along Fourah Bay Road, should be relocated away from within the road space, including allocation of formal space for pedestrian movement.

233. Freight optimizing measures to increase and encourage the use of trucks with more than six tires should be implemented, such as lowering the cost of licensing for these vehicles, promoting imports and improving road conditions.

234. A centralized area for the loading and unloading of containers and freight vehicles, with potential for onsite warehousing should be established. This area would ideally be located outside the congestion zone around the port and away from Freetown, which would minimize heavy

vehicle traffic through the city. The location should also have direct connection to the port with potential for future expansion and growth.

235. Further development of small industry around the already congested port area should be discouraged. A cement bagging facility is planned to start operating adjacent to the terminal, which will add to congestion.

2. Improve the Quality and Operating Environment of Core Logistics Services to Build Efficient Supply Chains

236. ***Develop a National Logistics Strategy:*** As trade volumes and freight transport is expected to increase significantly over the next five years, Sierra Leone will need to develop and implement a National Logistics Strategy which sets a clear framework for addressing sectoral weaknesses including competition issues. The vital importance of developing the logistics sector in improving global competitiveness warrants the development of a stand-alone strategy, rather than addressing the challenges of this sector under a national trade or export promotion strategy. The strategy should have an emphasis on improving the skills, capacity, and efficiency of domestic trucking, clearing and forwarding, storage and warehousing services, and enhancing coordination with border management agencies. An inter-departmental task team in partnership with the private sector, similar to the newly established Trade Facilitation Committee, could take the lead in developing the strategy.

Facilitate the establishment of professional trucking services and truck fleets:

237. Invest in comprehensive training of the road haulage sector to become more competitive within both the national and regional market: Provide training to vehicle owners and drivers to build capacity in transit and clearance procedures, proper maintenance of fleets, and safe driving. This could be done through the SLRTA in close collaboration with the ITOA. Carry out a trucking survey to obtain accurate data on truck fleets and transport costs.

238. ***Improve the freight clearance process:*** There is a need for an independent body at the border posts that can serve as a clearinghouse for freight operators. This body can be represented by private organizations such as vehicle owners and vehicle drivers associations. This will make the process of border crossings more efficient as there will be clarity on documentation requirements and fraudulent activities will be severely reduced.

239. ***Implement existing and introduce new measures to reduce vehicle operating costs:*** SLSB should work towards introducing standards for spare parts for commercial and non-commercial vehicles. Axle load restrictions under ECOWAS protocols that would help protect vehicles from damage should be implemented, and enforced by the SLRTA. Additional weighbridges should be deployed along primary roads.

240. ***Support customs clearing and forwarding agents:*** License customs clearance agents against strict compliance criteria and existing skills and resources to reduce the number and eliminate the part-time and non-compliant. The NRA/CED assumed responsibility for licensing all Clearing Agents under the new Customs Act in December 2011, however, there has been no or limited progress in this particular area, and as a result all Brokers and Clearing Agents in Sierra Leone remain unlicensed. Furthermore, the NRA will potentially lose a significant amount of

revenue, since the registration fee for each license (Le2 million or about US$461) is not being collected.

241. ***Support capacity and skills development for the clearing and forwarding sector:*** Building on the capacity building and skills development training provided under the program to modernize customs, further training should be provided in the areas of classification, and in particular, rules and procedures relating to the implementation of the CET.

242. ***Promote competitive policies for an efficient and competent logistics sector to thrive:*** Policies that restrict entry and mandate preferential treatment of certain operators over others should be eliminated. The National Carrier Act, which facilitated the establishment of the SLNC, is a counter-productive measure that will be detrimental to competitiveness in the longer term, and should be repealed or otherwise reversed. Similarly, clearing and forwarding agents should be allowed full access to the sector by lifting restrictions on providing services to MDAs. Currently all MDAs are mandated to use the SLNSC.

3. Build on Progress Made in Customs and Border Management to Boost Revenue Collection and Efficiency in Cargo Clearing and Transit

Resolve remaining technical and capacity issues with the implementation and maintenance of ASYCUDA ++:

- Provide an adequate reliable power supply with additional stand-by capacity;
- Secure real-time back-up facilities both locally and with BSL;
- Change the criteria away from clearing and forwarding agents to importers;
- Seek UNCTAD technical appraisal and modification required for maintenance;
- Provide additional ICT capacity building to staff operating and maintaining the system; and,
- Prevent further delay in the roll out of ASYCUDA to Gbalamuya and Gendema, and ensure that adequate power and ICT infrastructure is in place for efficient and continuous operation of the system.

Facilitate the move to risk-based inspection to reduce clearance costs:

243. Build upon the skills and capacity of customs officials acquired through the retirement of the PSI system to enable the CED to provide risk-based inspection for clearing cargo. The recent destination inspection contract awarded to ALIC has actually increased clearance costs significantly and represents a step backward in the progress made in customs reform. It should therefore be reconsidered. Moving away from the traditional 100 percent physical inspection of goods and documents, which causes delay and frustrates trade facilitation, CED needs to adopt a risk management based approach supported by the introduction of ASYCUDA++. As well, the practice of scanning empty containers needs to be stopped.

244. Risk management is still seen by many staff as a single specific organizational unit of CED and not as a foundation on which all CED decisions and operations should be based. There is a need for further capacity building for understanding how risk management works, its vital importance in modern customs operations, and how each and every officer must be involved in and contribute to the system.

245. ***Increase capacity of customs officials to assert adequate control over taxable and non-taxable petroleum products:*** CED officials at warehouses where imported petroleum products stored before distribution to retailers and other entities, are responsible for measuring quantities and assessing duties. These officials lack the required tools and skills to properly conduct these duties and will need appropriate training to address these shortcomings in order to stop further revenue leakage.

Improve transparency and enforcement at customs:

246. In order to strengthen accountability, an external audit needs to be carried out in the absence of stronger scrutiny from parliament. Furthermore, revenue collection data and other customs performance data should be systematically published in the media. Measures should be introduced to make information more symmetrical between the principal (head of customs) and the agent (frontline customs officer) by generating accurate information on economic activities and behaviors to tackle corruption and mismanagement. Designing a new human resources policy that will change the incentive structure for Customs officials and regularly monitor staff performance using objective data will help achieve these goals.

247. **Elimination of Harassment, Extortion, and Bribery:** The establishment of the following measures are proposed to help eliminate corrupt activities at borders including: Closed Circuit Television (CCTV) cameras to capture security officers who extort money; Enhance public education against illegal payments at borders; Provide information and complaints desks at all entry points to facilitate the reporting of corrupt officials; Provide education on the provisions of the ECOWAS and MRU protocols for citizens to reduce their vulnerability from extortion and harassment; Launch a capacity building initiative for officials (police, Customs officials) to ensure that they are aware of the correct border and customs procedures and their implementation.

Improve capacity of and cooperation among border agencies and facilitate transit trade for more efficient and secure border management:

248. Establish institutionalized structures to improve cooperation among border control agencies with appropriate support to build trust and a common understanding amongst agency personnel. Set up a joint border management committee consisting of PSSD, CED, police forces, SLSB, and DI company at Gbalamuya and Gendema.

249. **Ensure that required ICT systems are in place with adequate capacity to operate and maintain the infrastructure**: The successful implementation of a joint border post is based on receiving, analyzing, processing and sharing information. The right ICT systems and connectivity are integral for effective collaboration between the various agencies operating at the border. The ICT required for a joint border post operation requires careful planning from the outset, and the adoption and implementation of systems should reflect revised border procedures and processes that have been simplified and harmonized, and designed to be compatible with joint border post operation.

250. **Improve measures to curtail smuggling:** Given the porousness of Sierra Leone's land borders and the prevalence of illegal movement of goods across borders, the need for more focused and robust FAST teams should be considered for western and northern regions, in particular, around Gbalamuya where the vast majority of large-scale smuggling takes place.

251. Improve communication of existing protocols and changes in trade policies and procedures to the trading community: Trade related policies and procedures change frequently, however, these are not adequately communicated to those engaged in trade, especially in more remote areas. Cross border tariffs should be published and publicly displayed at border posts to inform traders and transporters and allow pre-planning and pre-budgeting of operations. Traders and transporters should be made aware of their rights and obligations under existing MRU and ECOWAS protocols which should also be published and clearly displayed at borders.

4. Strengthen Institutional Capacity to Implement Current and Future Strategies and Manage Infrastructure Investments

Clarify the mandate of institutions involved in facilitating trade and transport:

252. There should be ultimate one-stop responsibility for transport. This should be the role of the MTA. NCP's function to promote divestiture from non-public functions should not impinge on transport policy making. The MTA is not sufficiently resourced in the required skills to carry out this role. Therefore this problem should be addressed by strengthening the MTA.

253. The role of the SLPA in the Sierra Leone maritime sector needs to be stated more clearly as a port landlord. The SLPA's role in overseeing the Bolloré concession has been limited so far, and institutions like the NCP and the ministerial committee assessing the concessionaire's performance, have been more active in carrying out this role, which contradicts the landlord model of port management.

Address capacity and coordination issues in implementing entities:

254. The maintenance of some local rural infrastructure like feeder roads and jetties has been devolved to local government under the Local Government Act. Although in principle this is a sound policy, the current lack of technical capacity within local councils needs to be addressed for a successful road maintenance program to be implemented.

255. Ministries and agencies implementing trade and trade facilitation strategies need to coordinate with each other at a more structured level under the leadership of the MTI. These coordination efforts should also be combined with enhanced dialogue with the private sector, civil society, and the international donor community engaged in Aid for Trade support.

256. The monitoring and evaluation capacity of trade and transport related ministries and agencies should be built up for more effective implementation of strategies and policies to facilitate trade.

257. An integrated mechanism for trade statistics should be established. Support should be provided to SSL to become the main entity responsible for collecting, compiling and analyzing trade data. This will require additional resources for the institution, building up the technical capacity of statisticians, and establishing closer collaboration between the various entities involved in the collection of trade data. An integrated mechanism will also have to incorporate efforts to monitor and record informal trade flows.

Chapter 3: Enhancing Sub-Regional Integration for Addressing Issues of Common Interest

I. Introduction

258. Increasingly, nations are moving away from integration strategies that are based solely on formal trade agreements and towards strategies that include at least some integration of policies in areas of common interest like infrastructure, border management, protection of marine resources, and tourism development. Cooperation in these areas, among others, at the regional level and with neighbors is key to Sierra Leone's economic growth. Given its narrow export base and dependency on imports, Sierra Leone should actively participate in efforts to increase regional integration with MRU members, as well as the wider ECOWAS.

259. Sierra Leone and its fellow MRU members face a range of common challenges that are best confronted through collaborative efforts. All four members have extensive marine resources and limited capacity to combat *illegal, unreported and unregulated* (IUU) fishing along their long coasts. A collaborative strategy and coordinated use of resources to protect and preserve shared marine resources would yield more effective results than taking on the issue alone. Another such example of collaborative action is in combating smuggling which deprives all members of significant tax revenues each year, and in particular, drug trade which is becoming an increasingly severe problem across the entire West Africa region. Construction of cross-border trade infrastructure like roads, bridges and joint border posts are also other areas where policy design and implementation at the sub-regional level has the potential to enhance trade integration and growth.

260. The Mano River Union (MRU) was founded by Liberia and Sierra Leone in October 1973 to expand productive capacity and trade. Early achievements include the formation of a customs union and the construction of the Mano River Bridge, which opened in 1976 and provides until today for the only land-border crossing between Liberia and Sierra Leone. In 1980, Guinea joined the MRU and in 2008 Côte d'Ivoire became the fourth member of the Organization.

261. The four MRU countries share many characteristics: they feature a common tribal makeup, common dialects, and common traditions. All MRU countries, except Côte d'Ivoire and Sierra Leone, have long land borders with each other. Often family ties extend across into neighboring countries, and people traverse the largely unguarded borders easily and frequently. Informal trade in border regions is thriving.

262. Unfortunately, the countries also share a history of violent conflict. Following two decades of civil war with rebel fighters often moving in from neighboring countries, all four MRU members are still in fragile condition.[49] They have either recently received an international peace-keeping force (Côte d'Ivoire and Liberia) or peace-building mission (Sierra Leone), or face profound

[49] World Bank, 2012a.

governance challenges, as indicated by a Country Policy and Institutional Assessment (CPIA) score of less than 3.2 (Côte d'Ivoire, Guinea, and Liberia).

263. The violent conflicts within the region fundamentally disrupted the economic integration efforts of the MRU. Funding dried up, activities and projects stalled, and Secretariat staff abandoned their positions. During the period of the Sierra Leonean and Liberian civil wars, the MRU lingered on in a subdued manner and without any significant impact. In 2004, it was formally reactivated at a Summit of the Heads of State, and in 2008 it restarted operations after member states provided the Organization with a financial budget.

264. Due to the extended period of low activity, the MRU has largely lost any international visibility it might have enjoyed during the pre-war period. The Regional Trade Agreement (RTA) was never notified to the GATT/WTO, so that it does not feature in the WTO's RTA-database and is, thus, often overlooked by analysts. Also, the recent multi-agency assessment of regional integration in Africa does not discuss or even mention the MRU.[50] Similarly, the DTIS that were conducted for MRU members between 2003 and 2008 did not reference the MRU (Sierra Leone DTIS, 2006), merely listed its membership composition in a footnote (Guinea DTIS, 2003), or limited the MRU-related discussion to one sentence on the Organization's prospective revitalization (Liberia DTIS, 2008). Moreover, it certainly has not helped the credibility and visibility of the Organization that it lost control of its website domain (http://www.manoriverunion.org). The latter has been acquired by an internet squatter, who is running advertisements for swimming-pool cleaning supplies on the site.

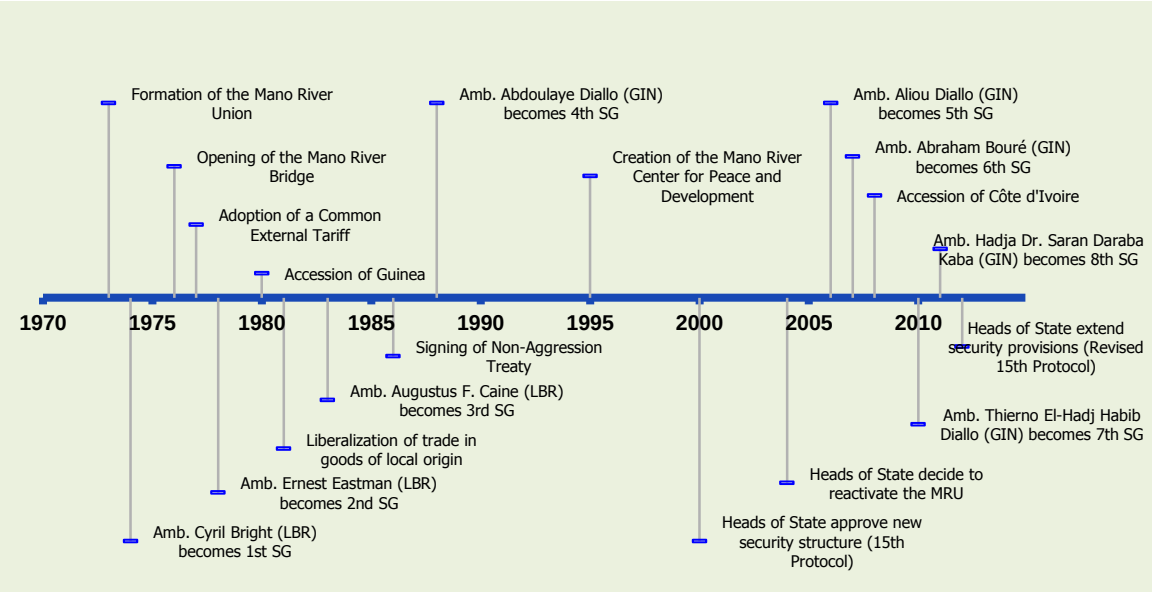
265. In this context, the following chapter aims to give a detailed account of the MRU's activities and take stock of Sierra Leone's relations with the organization since its reactivation in 2008 and its current and prospective role for enhancing the country's economic integration within the West Africa sub-region by providing a platform for addressing issues of common interest with member countries.

II. Overview of Key Agreements and Institutions

266. The MRU was founded on October 3, 1973 when the Presidents of Liberia and Sierra Leone signed the Mano River Declaration in Malema Town, Sierra Leone. The Union has two principal aims: (i) to expand trade by the elimination of all barriers to mutual trade; by cooperation in the expansion of international trade; by the creation of conditions favorable to an expansion of mutual productive capacity, including the progressive development of a common protective policy and cooperation in the creation of new productive capacity; and (ii) to secure a fair distribution of the benefits from economic cooperation.

[50] AfDB/AU/UNECA, 2012.

Figure 19: Major events concerning the Mano River Union, 1973-2012



Source: MRU Secretariat

267. The Declaration was complemented by a number of Protocols, some of which were revised over time and additional ones were agreed upon, bringing their total number to sixteen today. These Protocols govern the institutional setup and operation of the Organization. In the context of past and current activities of the MRU, the 11th and 15th Protocols that concern, respectively, trade integration and security issues are of particular relevance.

Table 13: Protocols to the Mano River Declaration

1.	Institutions of the Mano River Union
2.	Principles and Procedures for the Adoption, Ratification, Deposit and Registration of the Mano River Declaration
3.	Accession of the People's Revolutionary Republic of Guinea to full Membership of the Mano River Union
4.	Expanding the Aims and Objectives of the Mano River Union
5.	Participation of other West African States in the Mano River Union
6.	Celebration of the Signing of the Declaration by some Delegations
7.	Privileges and Immunities of the Mano River Union
8.	Establishment of a Union Technical Commission for Education, Training and Research
9.	Establishment of a Union Technical Commission on Industry and Trade
10.	The Principles and Policy for the Promotion of Union Industries
11.	Principles and Policies affecting Intra-Union Trade and Trade between Member States and Third Countries
12.	The Principles and Policies on Harmonization of Excise Legislation
13.	Establishment of a Union Technical Commission for Transport and Communication
14.	Third Party Civil Liability Insurance
15.	Cooperation on Peace, Security and Defense
16.	Accession of the Republic of Côte d'Ivoire to full membership of the Union

Source: MRU Secretariat.

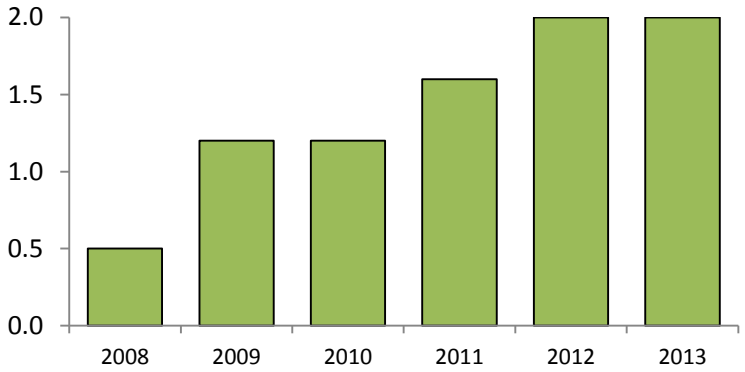
268. The operational activities of the MRU are guided and undertaken through Committees at different levels of seniority, and supported by a Secretariat:

- ***The Union Summit of Heads of State and Government*** is the supreme institution of the Union, which normally convenes once per year, immediately following the Union Ministerial Council;
- ***The Union Ministerial Council*** comprises Ministers from member countries responsible for portfolios that have an effect on regional integration (Planning, Development, Economic Cooperation, Finance, Education, Trade, Industry, Agriculture, Transport, Communications, Energy, Natural Resources and Works). It meets once per year, reaches decisions by consensus, issues recommendations to the Union Summit and directives to subordinate institutions, and establishes the MRU budget. The chairpersonship of the Council is rotating among member countries, with the President of Liberia, Ellen Johnson Sirleaf, acting as Chair in 2013;
- ***The Union Technical Commissions*** comprise Officials of Governments and Professionals designated by the member states to examine issues relative to their respective fields. Seven Commissions exist according to the Declaration and its Protocols (Trade and Industry; Agriculture, Forestry and Fisheries; Transport and Communications; Education, Training and Research; Finance and Administration; Energy and Natural Resources; and Peace and Security), but those on Education, Training and Research, as well as Transport and Communications are still in the process of being re-established. The Commissions are supposed to meet at least once a year, but may hold additional meetings when necessary; and,
- ***The Union Secretariat*** oversees the formulation and implementation of projects and programs and is responsible for related monitoring, evaluation and reporting. It also organizes and facilitates the holding of meetings of the institutions of the Union, represents the MRU at conferences and workshops geared towards the political, social and economic development of the sub-region, and mobilizes resources in support of integration activities. In addition to the headquarters in Freetown, the MRU has small sub-offices (Head of Office plus assistant and driver) in Côte d'Ivoire, Guinea and Liberia. The Secretariat is headed by a Secretary General, who is supported by three Deputies. All senior executives are nominated and appointed by their respective Heads of State and Government. At the professional level, four Program Officers—one from each member country—are foreseen in the Secretariat's staffing plan, of which two (Trade, and Peace and Security) are currently in their positions. Once fully staffed the Secretariat will have about 30 staff.

269. During the period of violent unrest in Liberia and Sierra Leone, the MRU suffered from serious underfunding. By November 2000, total arrears of member states amounted to more than US$1.9 million and the salaries for Secretariat staff had not been paid for 48 months (UNECA, 2000). Following the decision to revitalize the MRU in 2004, member states have cleared all these arrears, with each member assuming the outstanding salaries and severance benefits of its nationals. Also, the staff of the MRU Secretariat has been thoroughly renewed, such that all employees, except one, have taken up their positions in 2008 or later.

270. The responsibility for the funding of the MRU's activities is shared equally among member states. Currently, each of the four members pays US$500,000 into the common budget. The latter has been expanding markedly since 2008 (Figure 21), suggesting growing support. Moreover, proposals to construct a new headquarters building have apparently been well received by member countries. Sierra Leone has already donated a suitable plot of land in Freetown, and members are scheduled to commit seed money for the project. Officials are hopeful that the first stone for the new building could be laid on the occasion of the 40th anniversary of the MRU in October 2013.

Figure 20: Financial Budget of the MRU Secretariat (US$ million)



Source: MRU Secretariat.

III. Cooperation Activities in Member Countries

3.1 Pre-war Functions and Activities

271. During the pre-war period, the MRU's activities were squarely focused on trade integration, infrastructure and industrial development, and capacity building (Box 5). The subsequent violent conflicts in the region fundamentally disrupted the ongoing cooperation among members and destroyed most of what had been achieved. In parallel, other regional integration initiatives, notably ECOWAS, assumed responsibilities in many of the initial focus areas of the MRU, such as tariff harmonization and regional trade preferences, so that the MRU has nowadays a much smaller role in these policy components.

272. Yet, the trade provisions of the Mano River Declaration and its Protocols remain in force and create a certain overlap with respective provisions in ECOWAS. In the case of tariff policy, the initiative to set and adjust tariffs seems to have entirely shifted towards ECOWAS. The MRU maintains its own system, however, of certifying local origin of goods that benefit from duty-free intra-regional trade provisions. In particular, local goods exempt from intra-regional border tariffs are:

- Raw materials and traditional handicrafts;

- Manufactured goods for which at least 35 percent of the value-added is of local origin, and which are produced by companies that are at least 20 percent owned by inhabitants of the Union; and,
- Products sold by companies that are assessed as being able to supply the entire MRU market and are certified as Union Industries.

273. Prior to the outbreak of civil war, 76 companies and more than 100 products had been assessed as meeting the MRU's conditions for Union origin of manufactured goods.[51] Since 2009, the MRU Secretariat has received five additional applications for certificates of origin. Four of these were accorded, while one was rejected, as the applicant did not meet the minimum requirements for local ownership.

Box 5: Pre-war Regional Integration Efforts

During the years following its foundation, the MRU pushed ahead with integration efforts in several of the priority areas identified in the Mano River Declaration and its Protocols. It thereby enjoyed the support of the international donor community.

In particular, a common external tariff was formally adopted by Liberia and Sierra Leone in 1977, and harmonization was achieved in about 95 percent of tariff lines (MRU Secretariat, 2011b). Moreover, intra-regional trade in local goods was liberalized in 1981. Under this preferential policy, companies that met the value-added and ownership requirements for local production, as well as certified Union Industries, of which there were two (the now defunct Mabole Fruit Company of Sierra Leone and the Monrovia Glass Factory, which was destroyed during the civil war), could trade their products within the region duty-free. Some early observers lamented the insignificant economic impact of the tariff integration efforts (Robson, 1982), but given the small manufacturing base in the region and buoyant informal trade, preferential trade was unlikely to provide a big boost in the short term.

Regional infrastructure development was another area of focus. The Mano River Bridge was constructed under the auspices of the MRU to provide the first—and up until today the only—land border crossing between Liberia and Sierra Leone. It was opened in February 1976, closed during the civil war to impede the movement of rebel fighters, and re-opened again in June 2007. Construction also started on the Conakry-Freetown Road, a sea ferry service was assessed, and a project to set-up a regional airline ("Air Mano") was developed to the final pre-launch stage, before the civil war brought the efforts to a halt.

The MRU also pursued a range of sectoral development initiatives. In agriculture, it promoted the use of small mills to help farmers expand the production and processing of palm oil; in industry, it played a critical role in establishing the Monrovia Glass Factory as a producer of bottles and jars for member states; and in the energy sector, it conducted several studies to enhance power supply in the region.

Last but not least, the MRU used to operate four technical training centers to strengthen the capacity of public servants in the areas of Customs and Excise, Posts and Telecommunications, Forestry, and Maritime. In addition, it provided students with scholarships to pursue university studies in another member state.

274. The criteria for conferring origin, notably concerning the share of enterprise capital that needs to be locally owned and the definition of what constitutes a Union Industry are different

[51] MRU Secretariat, 2011b.

from those used by ECOWAS. Similarly, the procedures of application and the composition of the inspection panels to assess the validity of the application vary. The ECOWAS certificate provides access to a much broader integration space, while the MRU certificate has a less demanding local ownership requirement and might be preferred by some enterprises because of the relative proximity of the issuing agency that makes it easier to discuss and resolve contentious issues if needed. In any case, proposals have been submitted to the Union Technical Commission on Trade and Industry in January 2012 to align the MRU's provisions concerning local origin with those in ECOWAS, but a decision by member countries is still pending.

275. More generally, officials at the MRU are well aware of the existing overlap in the aims and mission with ECOWAS and the need to avoid a duplication of initiatives. In particular, the MRU's Secretary-General approached the ECOWAS leadership in May 2012 with a view to strengthen collaboration and have the MRU act as an executing agency for ECOWAS programs in MRU member countries. A decision to pursue this link between the two regional organizations, which would have major implications for the MRU's budget and staffing, is outstanding.

276. The civil wars that ravaged the region highlighted the importance of security, trust and good governance for economic development and regional integration. Peace and security became the center of member countries' attention, and the activity focus of the MRU was broadened accordingly. Several initiatives to foster information exchange, enhance mutual understanding, and reduce tensions were launched under the umbrella of the MRU, such as the creation of the Mano River Center for Peace and Development in 1995. In 2000, member countries agreed upon an additional Protocol to the Mano River Declaration, devoted to Peace and Security. In 2012, this Protocol was further broadened to cover security-related aspects of food security, natural resource management, youth unemployment, and gender.

277. The decision by Heads of State and Government to revitalize the MRU commits the organization to an agenda that reflects the still fragile security situation in the region and extends its mandate to cover political, institutional, and social aspects of development and regional integration. In particular, in May 2008, Heads of States and Government at a Summit Meeting in Monrovia, and subsequently in December 2008 at a Mini-Summit in Freetown identified four focus areas for the MRU's activities:

(i) Institutional revitalization and restructuring;
(ii) Peace and security;
(iii) Economic development and regional integration; and
(iv) Social development.

278. The individual components under the four pillars of the strategic plan were supposed to be elaborated and budgeted by the end of 2012, but this work is still ongoing with the assistance of consultants from the United Nations Office for West Africa and the United Nations Development Programme. Once the strategic action plan is fully developed, the MRU intends to approach donors with a view for them to endorse and financially support individual activities. Across all of the four pillars, the MRU Secretariat is in charge of organizing meetings of officials from member countries to discuss issues of common interest and concern. In 2012, the Secretariat supported about 10 two-day meetings of roughly 30 participants each, and an enhanced schedule of meetings is planned for 2013.

3.2 Institutional Revitalization and Restructuring

279. The pillar on institutional revitalization and restructuring concerns mainly the enhancement of technical and financial capacities of the MRU Secretariat, and to a lesser extent the provision of training to officials in member countries. The process of making the Secretariat fully operative is still under way, with several professional officer positions waiting to be filled and the Secretariat possibly being relocated within Freetown into a new "House of the Mano River Union".

280. The Secretariat currently has limited analytical capacity and relies heavily on external consultants for diagnostic tasks. For example, the basic structure of the MRU's strategic action plan was developed by a consultant from the AfDB, and the costing of the individual activities is undertaken by consultants provided by UNOWA and UNDP.

3.3 Peace and Security

281. The pillar on Peace and Security is the one where the revitalized MRU has been most active to date. In accordance with the 15th Protocol on Peace and Security, the MRU has established three types of institutions: (i) the Joint Security Committee that provides guidance at the strategic level; (ii) the Technical Committee on Peace and Security that brings together officials from member states at the expert level; and (iii) the Joint Border Security and Confidence Building Units that consist of security personnel and civil society representatives (e.g. traditional leaders, women or youth representatives, forest guards, district officials) at particular border locations.

282. ***Border management issues:*** In November 2011, the first meeting of the Technical Committee on Peace and Security was held, immediately followed by the first Joint Security Committee. By January 2013, eight Joint Border Security and Confidence Building Units had been established in the following locations:

- Gbalamuya/Pamelap on the Sierra Leone/Guinea border;
- Gendema/Bo Waterside on the Sierra Leone/Liberia border;
- Toulepleu/Toe Town on the Côte d'Ivoire/Liberia border;
- Nongoa/Foya/Koindu on the Guinea/Liberia/Sierra Leone border;
- Lola/Yekepa/Danane on the Guinea/Liberia/Côte d'Ivoire border;
- Voinjama/Macenta on the Liberia/Guinea border;
- Koindu Kura/Heremakono on the Sierra Leone/Guinea border; and
- Kamakwie/Madina Oula on the Sierra Leone/Guinea border.

283. The Units provide a platform to exchange information among officials and citizens from both sides of the border and to resolve issues of concern locally and quickly. They meet about once every month, with the MRU Secretariat providing some organizational and logistical support (e.g. microphones for communication, motorbikes for transport). The Unit meetings also represent a means to bring border area concerns to the attention of political leaders in capitals through reports that are transmitted to the Technical Committee and the Joint Security Committee. Some of the reported proposals from Unit meetings include the following:[52]

[52] Mano River Union Secretariat, 2012.

- The better delimitation of borders to avoid misunderstandings and conflict;
- The upgrading of equipment available to border control officers, so that they can more effectively undertake their duties;
- The facilitation of movement of individuals across borders by border control services accepting national identity cards or other easily and inexpensively obtainable travel documents;
- The harmonization of opening and closing times of border posts on both sides of the border, or the establishment of common border posts; and
- The review of export bans (e.g. for palm oil), which encourage informal trade.

284. For 2013, the establishment of additional Joint Border Security and Confidence Building Units is planned, and a dedicated Peace and Security Unit is scheduled to be set up within the MRU Secretariat. Moreover, the MRU aims to establish itself as an institution that fosters democratic governance and fair elections in the sub-region.

285. ***Natural resource management and food security:*** Following the revision of the 15th Protocol in 2012, the pillar on peace and security now also covers activities in the areas of food security, natural resource management, youth unemployment, and gender. Concerning food security, the MRU is currently involved in an FAO project for the Development of a Strategy and Pilot Food Security Information System for the Mano River Union. This project is about to establish a food security hub in the MRU Secretariat that—in cooperation with national authorities—will gather information on the food supply and demand situation as well as food prices in different regions within MRU countries. Several consultants are going to work with the MRU-Secretariat to make this hub operational.

286. Moreover, at the Summit of MRU Heads of State and Government in 2008, ministers of agriculture were asked to make recommendations on how to resolve the then ongoing food crisis. Ministers in turn requested the MRU to approach the World Bank with a view to having the West Africa Agricultural Productivity Programme (WAAPP) extended to all MRU member states and to provide targeted support to the region. The main objective of the ECOWAS-based WAAPP is to sustain agricultural productivity growth in selected priority subsectors, notably rice and cassava. The World Bank responded favorably to this request, and the third series of the WAAPP, which was approved in July 2011, now provides specific funding to MRU countries to rebuild their capacities for adaptive research and technology transfer. A coordination unit that implements the MRU rice and cassava project in collaboration with the West and Central African Council for Agricultural Research and Development (WECARD) is scheduled to be established in the MRU Secretariat.

287. Concerning environmental resource management, the MRU is championing an eco-system conservation project in the Upper Guinea forest area. In particular, the MRU countries, with support from the AfDB, have received funding from the Global Environment Facility to develop the Mano River Forest Ecosystem Conservation and International Water Resources Management Program. The latter has the objective of strengthening the management of trans-boundary natural resources in five particular forest zones, while securing the livelihoods of local forest communities. This project is at an early stage, with the call for tender for preparatory studies having been issued by the AfDB at the end of 2012. The MRU Secretariat is scheduled to be closely involved in the implementation of the project.

288. ***Youth employment:*** Creating employment opportunities for young people is another priority for the MRU in order to foster social stability and economic development. In 2009, UNIDO started to implement the Mano River Youth Project in the four MRU countries with financial support from Japan. This project provided young entrepreneurs with grants, as well as training for business plan development. After the funding ended, a new initiative to foster capacity building was launched by UNIDO in cooperation with the Government of India. Within this project, four young entrepreneurs and two teachers from each of the four MRU countries were sent to India to receive professional training.

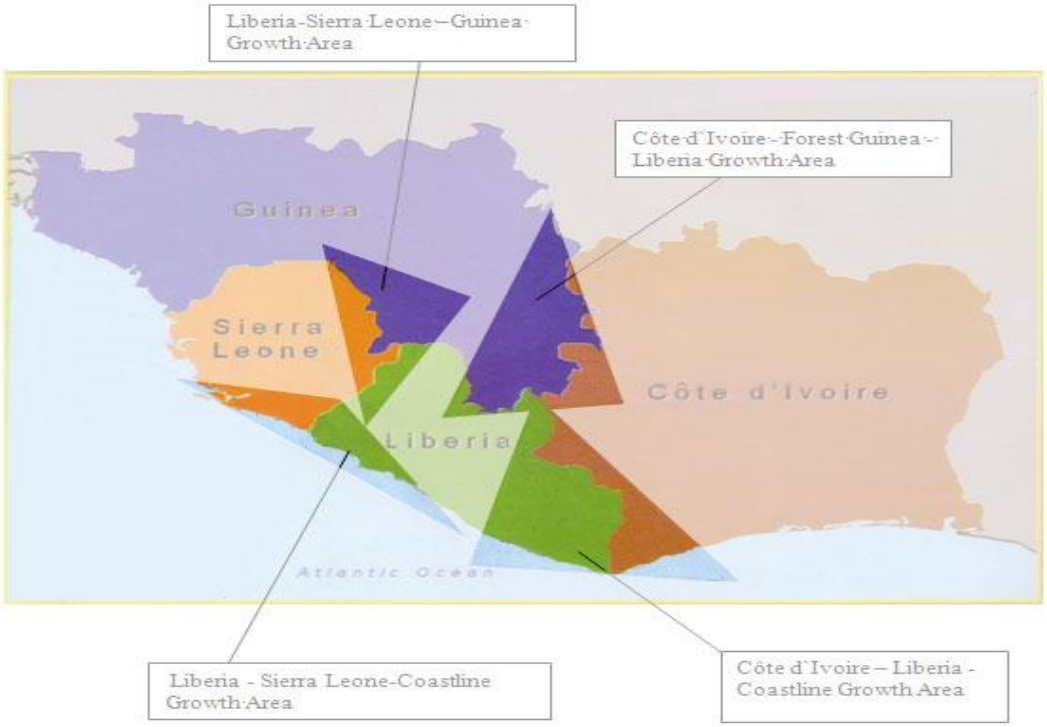
3.4 Economic Development and Regional Integration

289. The third pillar on economic development and regional integration focuses on infrastructural and industrial activities that would benefit from regional cooperation. In particular, the MRU has identified four potential growth areas in border regions (Figure 22) where it plans to focus its attention. Prior to the war, border regions had been neglected and received very little investment and services. Over time they turned into poorly governed havens for illegal activities, where armed rebel groups flourished.[53] The growth triangle focus is, thus, an attempt to improve the economic prospects of these remote regions, and thereby also improve their security, stability, and governance.

290. One activity directly related to the growth triangle approach is a planned investment forum in July 2013 that the MRU is organizing in cooperation with the British Council. This forum aims to bring the available opportunities in the region to the attention of potential foreign investors. So far, interest from foreign companies, including China-based investors, seems to focus particularly on the Liberia-Sierra Leone-Guinea growth area, which is rich in mineral deposits.

[53] Silberfein and Al-Hassan, 2006.

Figure 21: The four MRU Growth Areas



Source: Mano River Union Secretariat (2011a).

291. Concerning trans-boundary infrastructure links, the MRU Summit of Heads of State and Government in 2012 approved a set of priority road projects and expressed support for the launch of respective feasibility studies. In particular, the reconstruction of the road from Bo in Sierra Leone to the Mano River Bridge plus an overlay for the connecting road to Monrovia was seen as crucial for intra-regional trade development. Moreover, a resuscitation of the Air Mano project to establish a regional airline, which had been under development before the civil war period, is under consideration, and the MRU Secretariat has been asked to initiate a respective dialogue with private investors.

292. Further, the MRU plans to develop activities in the energy sector, notably with respect to the West African Power Pool, and in the mineral sector, where the Technical Committee on Energy and Resources has been considering proposals to harmonize investment incentives and laws within the region.

3.5 Social Development

293. Under the social development pillar, the MRU pursues projects on health, education, and women and children. It has been working with the World Health Organization and other international institutions in delivering health care services to residents in border areas to address pandemic or infectious diseases, such as HIV/AIDS, tuberculosis, malaria, and Lassa fever. For example, the MRU played a coordinating role in an AfDB-financed project to provide HIV/AIDS prevention and treatment to refugees and internally displaced population in border regions during 2005-08. Moreover, the MRU is currently working with the West African Health Organization on a needs assessment of health care establishments in border areas.

IV. Role and Relevance for Enhancing Regional Integration

294. The MRU is trying to re-establish itself as a driver of regional integration and development in West Africa. Some observers have questioned whether in the context tight budgets, the revitalization of a moribund regional institution is a good investment of scarce resources[54]. Africa has numerous regional and supra-national organizations, many of which scrape along with stretched staffing and budgetary resources while having a limited impact.

295. Recent analytical work has highlighted the potential to derive substantial benefits from regional integration in Africa in areas such as trade facilitation, regulatory alignment, and services trade[55]. The MRU is currently not particularly strong in any of these "new" integration aspects, but has first and foremost focused on contributing to peace and security in the region, given the still fragile situations of its members. Enhancing security and economic stability in countries that recently experienced savage civil wars is no small feat and arguably the backbone for any economic development. Without mutual trust and secure borders, any effort to enhance regional trade and investment is bound to fail.

296. **Regional trade facilitation:** Going forward, the useful work under the auspices of the MRU at the borders could be further enhanced by strengthening joint border patrols to combat smuggling and illegal trade. Also, a Trade and Transport Facilitation Audit (TTFA), similar to the analysis recently carried out in the Southern African Customs Union (SACU), could help to highlight bottlenecks for regional connectivity and transit trade (See Box 6)

297. **Duplication of integration efforts:** Moreover, the prospect of an explicit collaborative arrangement between the MRU and ECOWAS appears as a welcome initiative to reduce overlap and avoid a duplication of integration effort. All four MRU member countries are also constituents of ECOWAS, so that a structure whereby ECOWAS delegates some of the implementation tasks for its programs to the MRU should in principle be feasible. However, making such an arrangement work in practice with all its budgetary, staffing, and coordination implications might turn out to be a formidable challenge.

[54] McGovern, 2008
[55] Maur, 2011; Brenton and Isik, 2012

Box 6: Improving Supply Chains in SACU Countries Through the TTFA

Trading in a timely manner with minimal transaction costs allows a country to expand to overseas markets and improve its overall economic competitiveness. Developing modern logistics services requires efforts along many dimensions by establishing reliable connections, at affordable prices. It needs efforts to optimize networks through the integration of both international and local providers. All this means reducing the cost of crossing the border through trade facilitation initiatives

In this context, the SACU Secretariat and the World Bank are jointly conducting a regional assessment of logistics and transport infrastructure based on the Trade and Transport Facilitation Assessment (TTFA) methodology. This work will draw on a number of analytical tools, the World Bank 2012 Logistics Performance Index, which measures the trade logistics efficiency of a country and the TTFA Toolkit. This assessment toolkit will provide a methodology to examine a wide range of issues in trade facilitation, transport and logistics services, infrastructure, regulation, and border procedures that affect trade competitiveness. This regional TTFA will help provide policymakers with a better understanding of behind-the-border issues in SACU countries in order to facilitate trade and to ensure that households and firms in SACU countries reap greater economic benefits from the customs union. The main objectives of the TTFA are:

- Identify major bottlenecks or weaknesses in logistics and transport services in the SACU region for each participating country across the major regional trade and transport corridors;
- Identify the problems of transport and trade facilitation for major supply chains relevant for the industrial production in the region, including more detailed assessment of specific supply chains and potential value chains;
- Develop policy options for improving the efficiency of the major transport corridors and supply chains in the region.
- Ensure that households and companies in SACU countries reap even greater economic benefits from the customs union

298. ***Accelerating integration:*** In Eastern and Southern Africa, a group of five like-minded countries (Malawi, Mauritius, Mozambique, Seychelles and Zambia) agreed in September 2012 to an Accelerated Program of Economic Integration (APEI). They aim to go beyond the implementation of provisions in the broader COMESA and SADC agreements that they are party to and speed up their economic integration agenda by: (i) improving the business regulatory environment; (ii) eliminating barriers to trade in goods; (iii) promoting trade in services; and (iv) fostering capacity building through peer-to-peer learning. Could the MRU become a similar driver of regional integration for West Africa? Possibly, but this would require a coordinated commitment from member countries to pursue an advanced trade policy reform agenda that is not available at present (Box 7).

Box 7: The Accelerated Program for Economic Integration Among 'Like-Minded' Countries in Southern Africa

Accelerated Program for Economic Integration (APEI) is an initiative conceived by five countries in Southern Africa (Malawi, Mauritius, Mozambique, Seychelles and Zambia) aiming to strengthen economic integration among them by accelerating the implementation of key reforms as a group. These countries recognize that whilst there has been significant progress in the region in reducing tariff barriers, there are still many barriers and burdensome regulations for which insufficient progress has, so far, been achieved. In this context, the APEI will accelerate the pace of economic integration by creating trade and promoting investment at the regional level.

The APEI will be centered on the following areas: (i) elimination of barriers to trade in goods; promotion of trade in services; (ii) improvement of business regulatory environment; (iii) improvement in trade facilitation; and (iv) peer-to-peer learning and knowledge sharing. Participating countries will create national coordinating committees with members from the public and private sectors, and designate a focal person who will form part of a Coordinating Working Group who will be responsible for compiling the technical inputs from national stakeholders and dialogue with the other countries to build the reform program.

The APEI initiative follows the spirit of rapid integration based on variable speed and variable geometry under the Regional Economic Communities of COMESA and SADC. All countries are members of either or both, and this will allow other countries to join once benchmarks have been set and an operation is under way.

299. The MRU's strategic action plan envisages a broad range of future integration activities and sectors. Ongoing projects include such diverse activities as agricultural research, road construction, and health care delivery. Other issues that require cooperation among countries, such as the containment of illegal, unreported and unregulated fishing, could be readily accommodated within the existing strategic framework if members were to prioritize the matter. Yet, given the currently rather limited capacity in the MRU Secretariat, it seems important for the MRU to be selective in the projects it pursues and to avoid the overstretching of its resources. For example, while the idea of creating cross-border growth triangles might appear appealing as an overarching development objective for the region, the establishment of such growth areas seems to be beyond the means of the MRU in the short and medium term.

V. Areas of Common Challenges and Opportunities

So where should the MRU focus its activities in order to maximize its value-added and what role is there for Sierra Leone to enhance integration though sub-regional coordination?

300. A workshop could be held that would bring together key policy makers from relevant Ministries and Agencies including those from the other two MRU members currently updating their DTIS - Guinea and Liberia - as well as the MRU Secretariat, to discuss and validate actions that would require joint implementation to fully achieve their intended goal. These would be areas such as joint border management, combating smuggling, protecting fisheries and marine resources, food security issues, informal cross-border trade, implementation of the ETLS, coordination on the mining sector, and cross-border infrastructure development. Sierra, along with Guinea and Liberia, along with the MRU Secretariat, would benefit from holding a joint

DTIS validation workshop to discuss and validate policies for overcoming challenges that need to be addressed at the sub-regional level. Côte d'Ivoire, despite not being part of the EIF process, should also be included in this discussion. Specific priority areas of joint action include the following:

301. **Increasing efficiency at joint border posts to create secure borders:** Removing non-tariff barriers and addressing border issues is still in its infancy for the MRU. Stronger efforts are needed at the sub-regional level to fully harmonize and simplify procedures required for clearing and transiting goods. Given the porous nature of borders between MRU countries, there is a need to establish and train joint border patrol forces and encourage intelligence sharing between border enforcement agencies for combating smuggling and drug trade. In addition, further efforts are required in informing and educating the trading community and border officials so that they can fully implement and enforce existing ECOWAS and MRU protocols on trade and transport. A sub-regional approach to sensitizing traders, transport operators, and border officials regarding their rights and obligations under existing arrangements is required for these efforts to fully reach their objectives.

302. **Deeper coordination in the mining sector and related infrastructure development:** Infrastructure linkages and common resource management are already on the MRU's agenda, but increased emphasis could possibly be devoted to cooperation in the mining sector, given the importance of extractive industries and related infrastructure in all member countries. In the MRU the development of new infrastructure is to exclusively serve the needs of mining activities of mostly high volume iron ore like in the case of Rio Tinto's proposed construction of the Simandou in Guinea and the new integrated railway /port project being proposed by London Mining in Sierra Leone (Box 8).

303. The necessity of creating transport infrastructure to link inland mineral deposits with ports creates an opportunity to open mining rail lines to existing or potential economic activities that lie along the corridors such as agriculture, logging, and for movement of other goods and passengers. In general, mining related investments are planned in sectoral enclaves, and are driven by the needs of the mining sector alone; consequently, investment often fails to harness the scale economies and opportunities to share infrastructure services. A broader perspective in infrastructure planning will simultaneously benefit other sectors, allowing farmers and firms, along with mines, to get their products to domestic and international markets. Multi-use infrastructure that runs through national borders has the potential to become a catalyst for growth of secondary economic activities with upstream and downstream links, and help integrate economies through increased cross-border and regional trade. In the case of the MRU, mining transport infrastructure could be developed to serve primary customers in the mining industry, but could also serve to better integrate isolated areas into the economic mainstream of ECOWAS by facilitating the flow of goods across borders – in particular staple foods - from surplus to deficit areas. A regional approach to building mining transport infrastructure could also help shift the MRU economies from a fragile periphery to an attractive investment destination for mining and downstream industries.

Box 8: Simandou and the Proposed Trans-Guinean Railway for Iron Ore Exports

Currently, only one new railway line is formally proposed in the MRU region. The Trans-Guinean railway will be approximately 650 km, linking Conakry to the mines of Simandou in southeast Guinea. The railway will be single track with 13 passing loops, at approximately every 50 km, with two tunnels (approximately 20 and 5 km each). It will be built by Rio Tinto, and also allow for movement of passengers and light-freight. The Government of Guinea will have 51 percent ownership, with 49 percent belonging to Rio Tinto. Before construction can begin, Rio Tinto will be rehabilitating 1030 km of roads that will allow for transporting approximately 55 thousand truckloads of equipment and construction material.

Sierra Leone and Liberia can offer Eastern Guinea closer access to seaports for bulk export of iron ore compared to the alternative of transporting minerals the entire distance across country to the port in Conakry in the West. For instance, building a link to the Yekepa- Buchanan railway through Liberia, with traffic flowing in both directions, could create opportunities to transport minerals from the Simandou/Mount Nimba iron ore deposits to the seaports of Liberia, and would also enable the transfer of agricultural products from surplus to coastal urban deficit areas if third party use were permitted.

Another line being discussed would provide rail access to Liberia's Western Cluster mining concession, which would run from the mining areas to the west of Liberia to Robertsport, close to the border with Sierra Leone. It is possible that the line could eventually link with Sierra Leone, providing an outlet for non-mining exports from southern Sierra Leone, as well as minerals.

304. Viewing these mining projects and related transport infrastructure needs in a regionally integrated approach also provides a way to address the common overlapping environmental, social, economic, and governance issues raised by extractive industries. It also offers synergies that can lower risks and cost to any one operator, if a workable governance mechanism for such multi-use infrastructure can be developed. Deeper coordination should be pursued between Sierra Leone and its neighbors on regional Infrastructure development by developing a framework for aligning sector policies, designing regional master plans, developing a portfolio of synergistic projects, harmonizing regulatory regimes and investment codes, and mobilizing investment resources.

305. **Protecting fisheries and marine resources:** All MRU countries have vast marine resources and long coastlines with limited resources, which make it difficult to adequately protect this wealth against IUU**.** Stronger and more coordinated efforts are required to successfully combat, in particular, foreign IUU and revenue loss stemming from these illegal practices. Members need to accelerate efforts to develop a framework for enforcement of

Monitoring, Control and Surveillance (MCS) and the establishment of a regional observer program.

306. **Coordination of trade policies:** Coordination among MRU members in trade policy proposals, like those concerning market access and tariff issues, in order to strengthen the sub-region's negotiating position in broader forums, notably ECOWAS, appears to be largely absent. The MRU's mandate does not explicitly extend to this integration aspect nor do its institutions seem geared up for tasks that require frequent interactions and negotiations at different levels of political and administrative authority. Sierra Leone, as well as all members of the MRU, would benefit from greater coordination for gaining a better position in negotiating trade policies at the ECOWAS and international level.

307. In conclusion, it is evident that the four members of the MRU share many common characteristics and challenges to overcome, which provide for strong incentives to collaborate. Yet, given the small size and ongoing revitalization of the Secretariat, the role that the MRU can carve out for itself will largely depend on the effectiveness of its leadership to rally political support in member countries for joint undertakings and to credibly project the aims of the Union *vis-à-vis* the international donor community.

Chapter 4: Harnessing the Potential of Sustainable Tourism for Employment Generating Growth

I. Introduction

308. Sierra Leone is well known for its rich mineral deposits, which could yield great wealth for the country, but its potential as a world class tourist destination is far less known. As with mining minerals, the country's rich tourism assets are also available to mine and use to the benefit of Sierra Leone and its people. As with developing any resource, however, this requires planning and strategizing as well as human and financial resources.

309. Sierra Leone has had its fair share of plans, strategies, studies and projects for developing tourism beginning with a tourism master plan in 1982 and leading to a 2011 EIF Tier 2 Project for Sustainable Tourism. Tourism was recognized as a priority sector for poverty alleviation in the *Agenda for Change* and is expected to appear again as a priority in the *Agenda for Prosperity.* Tourism is appropriately targeted as a priority since globally it is one of the world's fastest growing industries—one of the most sustainable sources of poverty alleviation, job growth and protection of cultural and natural heritage. Rather than invest in the institutions that could help achieve this, the budget allocation for the Ministry of Tourism and Culture (MTC), the National Tourism Board (NTB), and the Monuments and Relics Commission (MRC), already at an insufficient level in 2011, was reduced in 2012 and again for 2013. For the financial year 2012, money allocated to the MRC in the national budget was never accessed by the institution

310. In 2008, a funding source for the NTB – the bed tax, a common source of tourism organization funding – was replaced by the Goods and Services Tax (GST), none of which has been specifically designated for reinvestment in tourism. In fact, very little of the estimated US$15 million in Government revenue generated from tourism is reinvested in tourism, certainly not in the institutions that should be guiding, setting standards and coordinating tourism development—the MTC and NTB—and educating Sierra Leoneans for employment in tourism – the Hotel and Tourism Faculty.

311. It is possible for tourism to continue developing as is—mostly based on individual hotel investments, some donor support and the limited resources of the Tourism Board, but it will be difficult, if not impossible, for the country's rich tourism potential to be fully realized without public sector leadership and coordination supported by the necessary financial and human resources.

II. Evolution of Sierra Leone's Tourism Sector

2.1 Tourism in the Pre-War Years

312. Tourism development has some history in Sierra Leone. Only three years after independence in 1964, the Hotel and Tourist Board was formed followed by the formation of a Ministry of Tourism in 1973. The Board was merged with the Ministry in 1975 and during the 1970s and 80s, Government invested in several hotels. By 1982, the Government had also

invested in a master plan for tourism development, which was not implemented though, and in 1985 most of the Government hotels were leased to the private sector.

313. A year later, international tourist arrivals increased nearly fourfold to a peak of almost 200,000. A 600 room Club Med, on the Western Peninsula, as well as Sofitel and Accor properties in Freetown, helped attract a steady flow of French visitors, which remained the predominant group of visitors until civil conflict and war completely derailed the industry in the early 1990s. Just prior to the outbreak of conflict though, Government was optimistic about the future of tourism—a Tourism Act was passed in 1991 and a Hotel and Tourism College also established. By 1994 with conflicts in full force, arrivals sank to 23,574 and continued declining further until the end of the war in 2002.

2.2 Re-launching of Tourism Post-War

314. The war shattered much of the country's infrastructure, including all of the resorts, many of the roads, and the entire tourism campus. The Tacugama Chimpanzee Sanctuary survived, although mortar shells landed nearby and both sides in the conflict occasionally occupied the site.

315. Since 2002, although most of the tourism-related infrastructure, especially hotels and the College, was nearly destroyed, international tourist arrivals and receipts and hotel investment have been gradually increasing. The 2006 DTIS helped set the stage for the validation of a National Tourism Plan in 2008 and, subsequently, about US$3 million in assistance through the EIF, which began in 2011. By 2010, arrivals had reached 39,000 and receipts US$26 million.

316. The Ministry of Tourism and Tourism Board were designated as the main parties responsible for implementation, despite a lack of sufficient internal human and financial resources. The shortfall has been temporarily and partially filled by the EIF assistance mentioned above. In addition to these efforts, the Government also circulated a draft National Investment Policy in 2009 which offered several attractive investment incentives for all businesses and some specifically for tourism.

2.3 Current Status of Sierra Leone in International Tourism

317. Sierra Leone has the potential to be an internationally competitive tourist destination, but many improvements are needed. The World Economic Forum's 2013 Tourism Competitiveness Index ranks Sierra Leone 137th out of 140 countries on overall tourism competitiveness. The reasons are not surprising. Following the war, now more than 10 years later, overall infrastructure and especially tourism-related infrastructure are still in a state of disrepair or in need of serious upgrading—especially roads, the airport, energy, water supply, sewage, and hotels. Work is visibly underway, especially with roads and some hotels, but a long list of needs remains. One of the most critical needs is a shortage of skilled and trained labor for local hotels.

318. The country is receiving growing numbers of international visitors with 59,730 recorded for 2012, an increase of almost 14 percent over 2011. According to SSL, nearly 40 percent of

these visitors (23,892) came for business[56]; an increase from 35 percent in 2011 with US$16.2 million in expenditures, which accounted for 54 percent of the total. While holiday visitor numbers were still quite low at 11,146 arrivals and just US$8.5 million in expenditures, these figures represented increases of 44 percent and 46 percent respectively over 2010.[57] This total proved unsustainable in 2012 with 9,464 holiday arrivals recorded, thus a drop of 15 percent.

319. In 2010, the latest year for which the United Nations World Tourism Organization (UNWTO) has data on every African country, Sierra Leone ranked second from last, above Comoros Islands, for international tourism arrivals, but as just mentioned, this is increasing.[58]

320. With overall increases, though, in visitor arrivals and spending, there have been some corresponding increases in tourism investment, mostly in the Western Peninsula, which in turn have meant growing contributions to GDP, export earnings, employment, income and government revenue opportunities (Box 9).

Box 9: Recent and Ongoing Investments in Sierra Leone's Tourism Sector

Since the end of the war, the number of hotels has increased from eight to 37. Some of the principal projects currently underway include:

The Place (Sweetsalone company)—A new beach resort with 22 chalets (due to increase to 55), three restaurants and a spa at Tokeh on the Western Peninsula opened in March 2013 and was planning to train and employ 55 staff. London Mining founder Chris Brown is the main financier and has so far invested US$15 million.

Radisson Blu—This is replacing the Mammy Yoko Hotel with 171 rooms and suites, a restaurant, meeting space, sports facilities and a health club. The National Social Security and Insurance Trust invested US$10.5 million in the hotel for 80 percent of the shares with the remaining 20 percent held by West Africa Holdings, which is headed by Roger Crooks, former manager of the Mammy Yoko.

Hilton Freetown Cape Sierra—The Idea Company, a UK-based investor/developer, has broken ground and is planning on 200 rooms, a conference facility, and other facilities. As of February 2013, an additional US$30 million was being sought to start construction.

Hotel Onomo—A new business class hotel brand in West Africa with hotels operating now in Dakar, Abidjan and Libreville has leased land near Aberdeen and intends to open a 100 room property at an estimated average daily rate of US$120.

2.4 World Travel and Tourism Council (WTTC) Economic Research Results

[56] Statistics Sierra Leone (May 2012), Tourism Statistics Bulletin, p. 20.
[57] Ibid, p. 28.
[58] UNWTO Tourism Barometer, January 2013.

321. WTTC's members include over 100 CEOs of the world's main travel and tourism companies. Overall, the organization is optimistic about tourism growth in Sierra Leone. For the next decade, WTTC ranks tourism in Sierra Leone among the top 10-15 fastest growing sources of total and direct contributions to GDP and employment.

322. Contribution to GDP: According to the World Travel & Tourism Council's 2012 and 2013 reports, travel and tourism contributed directly and indirectly 6.4 percent of GDP amounting to about US$217.2 million. In 2012, WTTC estimated that this would place Sierra Leone as the 28th fastest growing tourism economy in the world. And for 2013, the ranking is expected to increase to 11th. Within a decade, the tourism contribution to GDP is expected to double to $464.4 million comprising about 8 percent of GDP.

323. **Visitor export earnings:** WTTC estimates that for 2013, travel and tourism will generate over US$49 million in export earnings, which is about 5 percent of total exports. They forecast 5 percent per annum growth over the next 10 years reaching a total of US$77 million, which is a conservative estimate based on past trends.

324. Employment: In 2012, WTTC estimated that travel and tourism generated nearly 65,000 jobs directly and indirectly in Sierra Leone, which was 5.5 percent of all employment. And over the next decade, this number will increase approximately 4.6 percent annually to 105,000, which is 7 percent of total employment ranking Sierra Leone the sixth fastest generator of jobs from travel and tourism in the world.

2.5 Government Revenue Opportunities

325. As travel and tourism increases, so does Government revenue, especially licensing and registration fees, which has been a growing, albeit very modest, source of revenue for the Government. In 2006, 35 million Leones (US$8,126) were earned and six years later, the number had increased to 192 million Leones (US$44,578).

326. Tourism also earned the Government revenue through the GST. Hotel guests pay 15 percent GST on their bills. Based on 2012 tourism statistics from Statistics Sierra Leone, 33,356 international visitors came for business and holidays in 2012. The UNWTO reported an average length of stay of seven days, thus 233,492 bed-nights. Assuming an average daily rate of at least US$100, although it seemed to be higher at the most popular accommodations for business visitors—the Country Lodge, Barmoi and Bintunmani—this totals US$23,349,200, 15 percent of which is US$3.5 million, which is approximately 10 times the current Government budget for tourism. This is, of course, a rough calculation, but it is a point worth exploring in more depth since the current government investment in tourism is inadequate.

327. In addition to the GST payments, Government also receives corporate tax payments, duties payments for supply imports, payroll taxes, visa fees, departure taxes and an airport security fee. The latter two are US$65 and US$24 and included in ticket prices. With aviation authorities reporting approximately 99,000 departures, this totals an additional US$8.8 million in revenue generated from tourism. Revenue from visas is also generated. Excluding ECOWAS residents, an estimated 41,388 visas were issued in 2011.

Table 14: Revenue Generated from Visas in 2011

Citizenship	Estimated number of visitors buying visas	Visa cost ($US)	Total revenue ($US)
Non-ECOWAS Africans	48,31	40	193,240
US	60,70	160	971,200
Canada	3,592	75	269,400
UK	6,591	137	902,967
Other	20,304	40	812,160
TOTAL	**41,388**		**3,148,967**

Source: National Tourism Board.

As a result, tourism is generating at least US$15.5 million in tax and fee revenue directly for the Government. It is worth noting that the equivalent of only 2-3 percent of this amount is invested in the MTC, which includes the NTB.

2.6 Position of Sierra Leone as an International Tourist Destination

328. In the 1980s, Sierra Leone was positioned as a beach destination and, as mentioned above, the country attracted growing numbers of visitors particularly from France and a few international hotel chains. A sport fishing segment was also popular. Sierra Leone's ecotourism and cultural heritage assets were, however, still undiscovered by international visitors and investors.

329. Nearly 30 years later, the beaches along the Western Peninsula are still considered by visitors as some of the best in the world. A few hotels and guesthouses with less than 100 rooms provide accommodations among the Western Peninsula beach destinations. Sweetsalone's "The Place" will add 22 chalets. Tokeh Sands Resort is planning to add eight three-room villas and 18 chalets.

330. While the beaches from Mama Beach at the southern end of the Western Peninsula to Lakka Beach closer to Freetown offer some of the most beautiful white sands in the world, since the heyday of their popularity in the 1980s, tourism has grown exponentially around the world with more people travelling and more destinations appearing on the market.

331. In 1990, international tourism arrivals totaled $US456 million, increasing to $US687 million in 2000 and 1 billion in 2012. And in their 2030 Forecasting report, the UNWTO estimates that international tourism will continue to grow an average of $US43 million additional international tourists annually to 2030. Much of this substantial growth was and will be fueled by the demand for and growth of sun and sand destinations with several countries around the world successfully competing and attracting international resort brands and both charters and scheduled airlines—from Kenya to Gambia, the Red Sea, the Caribbean, Croatia, Turkey, Thailand and many others. The international sun and sand segment is, thus, far more competitive than in the 1980s and would, therefore, be difficult for Sierra Leone to recapture if that were the principal attraction. For a local market, particularly for nationals, expatriates residing in Sierra Leone and/or in neighboring countries, and business visitors, the Western Peninsula can and is a main attraction.

332. Sierra Leone's other tourism assets offer some potential either alone and/or with the Western Peninsula beach destinations. The 2008 Tourism Strategy and 2011 EIF sustainable tourism program focus on developing the country's principal ecotourism attractions: Tacugama Chimp Sanctuary, River No. 2 Beach, Banana Island, Wara Wara Hills and Tiwai Island Wildlife Sanctuary. In support of this, the Ministry of Tourism and Tourism Board are working on an ecotourism policy, thus trying to position the country as more of an ecotourism destination.

333. Ecotourism is growing in popularity among travelers around the world. The Washington, DC-based Center for Responsible Travel cites multiple surveys showing increased interest from travelers for ecotourism and more broadly, green or responsible tourism: 71 percent of TripAdvisor members are making more eco-friendly choices, 93 percent of Conde Nast Traveler readers say that travel companies should be responsible for the environment, and a Deloitte survey of business travelers found that 95 percent think that lodging companies should be undertaking green initiatives.[59] In December 2012, in further recognition of the growing importance of ecotourism, the UN General Assembly passed a resolution recognizing ecotourism "*as key in the fight against poverty, the protection of the environment and the promotion of sustainable development.* " Through this resolution, the UN calls on Member States to "adopt policies that promote ecotourism highlighting its "positive impact on income generation, job creation and education, and thus on the fight against poverty and hunger."[60]

334. By emphasizing ecotourism, Sierra Leone is, therefore consistent with growing interest in ecotourism as a holiday choice and as a solution for sustainable development. Perhaps the country could become an ecotourism destination on a par with Costa Rica, which is considered an award-winning global model of ecotourism and sustainability? In 1985, Costa Rica received 262,000 international tourist arrivals while Sierra Leone received almost 200,000. And within six years by 1991, Costa Rica was receiving nearly double the number of visitors (505,000).[61] And by 2011, the country was receiving over $US2.2 million international tourists, which earned Costa Rica more than US$2 billion in receipts. Benchmarking with Costa Rica on the four key areas of challenges and constraints described below could serve Sierra Leone well.

335. In addition to beach tourism and ecotourism, Sierra Leone has promising potential in cultural heritage which has often been overlooked. Countries in the region like Senegal and Ghana already have significant participation in niche African-American cultural heritage tourism for instance. A recent report that made projections to illustrate Sierra Leone's potential in cultural heritage tourism niche highlighted that Slave Trade Castles were Ghana's number one tourism attraction; bringing 400, 000 tourists into the country every year[62]. The Report states that if Sierra Leone were to target an inflow of just 100, 000 tourists to visit Bunce Island by 2015, $62.5 million would be generated as revenue on an annual basis; without factoring any price increases. The Report concluded that Bunce Island by far was the most important investment Sierra Leone can make in the short-term to generate tourism dollars.

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[59] The Case for Responsible Travel: Trends and Statistics, Center for Responsible Travel.

[60] UNWTO Press Release, January 3, 2013: http://media.unwto.org/en/press-release/2013-01-03/un-general-assembly-ecotourism-key-eradicating-poverty-and-protecting-env

[61] Tourism Market Trends in the Americas 1992, UNWTO, p. 15.

[62] Economic Competitiveness and Corporate Social Responsibility in Sierra Leone- Tourism Sector Report 2008, p.34

III. Current Challenges and Constraints

3.1. Infrastructure

336. The war shattered much of the country's infrastructure, including all of the resorts, many of the roads, and the entire faculty of the tourism campus. The Tacugama Chimpanzee Sanctuary survived, although mortar shells landed nearby and both sides occasionally occupied the site.

337. Following the war, now more than 10 years later, overall infrastructure and especially tourism-related infrastructure are in a state of disrepair or in need of serious upgrading—especially roads, the airport, energy, sewage and hotels. Work is visibly underway, especially with roads and some hotels, but much more remains to be done.

338. Sand mining is providing some of the construction material that is being used to repair and expand the country's infrastructure, so it is serving an important role in the country's development, particularly for infrastructure. As reported by Sierra Leone's Environmental Protection Agency and multiple media outlets in January and February 2013, however, sand mining is also destroying several beaches, particularly in areas that are renowned as tourist attractions along the Western Peninsula (Big Water, John O'Bey, Black Johnson and Lakka).63 The tourist potential of these beaches is now under risk of being destroyed by aggressive sand mining.

339. In addition, the sand mining appears to violate the country's Environment Protection Agency Act 2008. In the Act's First Schedule (Section 24), multiple projects requiring environmental impact assessment licenses are listed. Sand mining is specifically covered in paragraph "f": extractive industries (e.g. mining, quarrying, extraction of sand, gravel, salt, peat, oil and gas). In the Second Schedule (Section 25), the factors for determining whether a project requires an environmental impact assessment include:

> *(c) Whether the project transforms the locality*
> *(d) Whether the project has or is likely to have substantial impact on the ecosystem of the locality*
> *(e) Whether the project results in the diminution of the aesthetic, recreational, scientific, historical, cultural or other environmental quality of the locality*
> *(f) Whether the project will endanger any species of flora or fauna or the habitat of the flora or fauna*
> *(h) The extent of the degradation of the quality of the environment*
> *(j) The cumulative impact of the project together with other activities or projects, on the environment.*[64]

3.2 Human Resources

[63] "EPA Warns against Illicit and Unregulated Sand Mining on the Beaches," Awareness Times, Freetown, Sierra Leone, http://news.sl/drwebsite/publish/article_200521111.shtml .
[64] Environment Protection Agency Act 2008, pp. 32-33.

340. From discussions with stakeholders, particularly hoteliers, most newly hired staff have to be trained practically from the ground up. The education system in general and the tourism faculty in particular are not preparing them to work in a growing tourism industry, especially in hotels, restaurants, and with tour operators. The tourism campus appears to be totally dysfunctional operating with a bare minimum of staff, workable equipment and furnishings. It is a sad place that was stripped bare during the war and has not recovered since then. If the tourism industry is to grow as a key sector for the country, a revived tourism school is needed, one that develops according to the practical needs of the private sector and the tourism industry overall. Development of a new school ideally should be as a public-private partnership based on international hospitality education standards and industry needs.

3.3 Product Development and Marketing

341. Most of the country's product development and marketing efforts are appropriately with the NTB. The Board has several potentially internationally competitive assets to work with—stunning beaches, world-class sport fishing, new and soon-to-be upgraded hotels, and nearly untouched ecotourism reserves and parks. To leverage and facilitate the development of these assets, the Board's activities are guided by a 2008 National Tourism Strategy and 1990 Tourism Act. Implementation is severely restricted, however, by an inadequate operating budget, which was decreased in 2012 from 1,553,400,000 Leones in 2011 to 900,000,000 Leones in 2012 and 840,000,000 Leones for 2013.[65]

342. Under the EIF Tier 2 framework, a sustainable tourism development project proposal for $US 3 million was developed by the NIU in collaboration with the NTB. This proposal which was approved by the EIF Board includes components like improving sector governance which deals with ecotourism policy and review of the 1990 Act; product development of the five ecotourism sites; and marketing, promotion, and capacity building for the Hotel and Tourism School. As of February 2013, just over 10 percent of the grant for materials and trade fairs had been used. The grant provides much needed funds for the Board to remain functioning, albeit at a minimum level.

343. Stakeholder consultations revealed the desire that an updated Tourism Act will strengthen the Ministry, establish a strong Tourism Authority in place of the Board and lead to an increased national budget allocation and thus recognition by the rest of Government of the potential importance of tourism for poverty alleviation and economic development.

344. In addition to the Ministry of Tourism and the NTB, the MRC with its broad remit to preserve, and promote historical and natural monuments, relics and other objects of archaeological, ethnographical, or historical interest, is in dire need of support. The MRC had been dysfunctional for decades and had suffered from chronic under-funding. The Commission is dependent on volunteer services of the Commissioners with little or no provision for administrative staff or funds for the maintenance of national monuments.

[65] Government Budget for the Financial Year 2013, Annex 2, Non-Salary, Non-Interest Recurrent Budgetary Allocations for FY 2011-2015, p. 10

345. In the last five years however, streaks of development have taken place that could be built on for cultural heritage promotion as a major tourism attraction. In October 2011, the United States- based Bunce Island Coalition announced a $5 million Bunce Island historical preservation project. The preservation work, which commenced in early 2012, is ongoing. In May 2012 the MRC submitted a Tentative List of cultural and natural sites to UNESCO in pursuance of World Heritage Listing. Also in 2012, the MRC undertook a National Survey of historic sites to guide interventions in this area.

3.4. Policy and Investment

346. As noted above, Sierra Leone would benefit from a better defined policy for guiding its tourism development, marketing and promotion. The private sector is actively investing and developing multiple hotels and restaurants, especially along the Western Peninsula. A cohesive implementable strategy that connects the pieces of development is missing. It is feasible for tourism to develop in the absence of a policy, but not in a way that sends a clear message to prospective visitors, operators and investors about the country's direction as a tourist destination. Unless the policy environment can become more concrete, the sector will not be able to fully tap the potentially substantial socio-economic, cultural and environmental benefits of the industry as a means of reducing poverty, generating employment, increasing incomes and attracting more investment.

347. In his February 2013 inaugural address, H.E. President Koroma recognized tourism and the need to "*transform [the country's] natural qualities into skills and effective habits appropriate to the modern tourist industry. We must integrate discipline into our hospitality, finesse into our tolerance and make our services so unique* and *distinctive that tourists would want to come into our land again and again and again*." He appointed a new Minister and Deputy Minister who will hopefully provide a clear vision supported by policymaking, which would also help establish parameters for a new Tourism Act, and lead to a realistic budget for updating, adjusting and implementing the Tourism Strategy. Included with the Strategy would also, ideally, be an updating of the 1982 Tourism Master Plan, which specified tourism development zones, thus identifying targeted investment prospects.

348. The proposed Tourism Act focuses on the establishment of a Tourism Development Authority, which would replace the Tourism Board. Through the Act, the Authority takes on more responsibilities than of the current Board, although the draft Act states that the primary function of the Authority is to market and promote tourism to Sierra Leone. However, the Act also grants the Authority to advise on human resources, ensure international standards and protection of tourists, conduct research on the impact of tourism policies, establish the hotel classification system, maintain all licensing, develop and manage the upgrading of tourism development areas. The latter is an important function that could facilitate investment, especially since a key constraint often cited by investors is unclear land title. It is not clear yet though how the Authority will conduct this function, as well as the other functions.

IV. Moving Forward towards an Agenda for Prosperity

4.1 Making Tourism a Priority Sector

349. In the Agenda for Change, tourism is mentioned as a solution for various challenges: managing natural resources, improving the country's image, pro-poor development, and generating jobs. The Agenda for Change emphasizes that "[a] vibrant tourist sector would directly stimulate the economy through job creation—skilled as well as well as unskilled—in the construction industry, fishing, agriculture, fashion, arts and culture.'[66]

350. To help address these challenges, tourism appears as a prominent sector in the 2006 DTIS, a strategy was accepted a couple of years later and now a new Tourism Act is proposed.

351. The level of funding allocated for tourism, as noted above, suggests that tourism is not a priority for Government. Without adequate funding, it is all but impossible to have effective institutions that lead the development of the sector and guide implementation of tourism policies, strategies and plans. The current modest levels of tourism already generate direct revenue for the Government (at least US$15,448,967 million) and yet the Ministry of Tourism and Tourism Board are funded at an estimated total of US$460,000 (US$232k for salaries and US$209k for operations).

352. Sand mining is also a concern because, as noted above, it is undermining one of the country's signature tourist attractions—the stunning beaches of the Western Peninsula. While demand for construction materials is driving the mining, an apparent lack of enforcement of the Environment Protection Agency Act 2008, particularly Section 24 in which extractive industries such as the extraction of sand, appears to be allowing the mining to continue.

353. Some of the most successful and sustainable examples of tourism development were led by government, which set a vision from the highest levels of government and then established the necessary policies, institutions, standards, strategies and plans to realize the vision. These examples include Costa Rica, Mexico, Bali in Indonesia, Thailand, Maldives, Kenya and South Africa. In all of these countries, private sector investment played a critical role in tourism development, but would have been slowed or non-existent if Government had not provided an enabling environment for investment.

4.2 Recommendations

354. All of the constraints and challenges mentioned above are inter-related. Tourism could generate the financial resources to help address all of these challenges and propel Sierra Leone towards utilizing tourism as a significant means of poverty reduction, export earnings growth and job creation. The EIF Tier 2 Sustainable Tourism Development and Promotion Project is helping to accomplish this. Even if all of the activities funded by the project were completed, however, the MTC and NTB would still be under-funded institutions without ongoing dedicated sources of revenue.

Some recommended steps to ensure the development of a sustainable tourism sector could include:

Recommended Steps	Monitoring Indicators
1) Convene a representative cross-section of	1) Convening of advisory process and possible

[66] Agenda for Change, 2008, p. 135.

Recommended Steps	Monitoring Indicators
tourism stakeholders from the public and private sectors to agree on a clear vision for tourism, i.e. Explore the Unexplored – Sierra Leone's Natural and Cultural Heritage.	institutionalization as an ongoing advisory council. 2) Vision statement produced that rallies public and private sectors.
2) Communicate the vision throughout Government, ideally with Presidential and cabinet-level support, and a message that "Tourism is Everybody's Business."	1) Every Government agency and department issues a one page brief on importance of their organization for the sustainability of tourism in Sierra Leone.
3) Propose policies based on the vision, i.e. the ecotourism policy and perhaps other policies such as a cultural tourism and heritage protection policy.	1) New Tourism Act is passed which recognizes the importance of policies for ecotourism, cultural tourism, beach tourism and business travel.
4) Update the 2008 Tourism Strategy to match the vision and policies and, most importantly, include a detailed action plan and budget. The latter were lacking in the strategy, but might be partially adapted from the 2005 DTIS Tourism Report[67] and the 2006 FIAS Report.[68] In these reports, various scenarios were proposed and priority projects identified for development.	1) Updated Tourism Strategy that provides a "road map" for realizing the Vision and Policies recognized in a new Tourism Act. 2) Short term (1 year) and medium term (2-5 years) action plans with budgets indicating what the Ministry of Tourism and Tourism Board (or Authority) require for implementation.
5) Use the EIF Tier 2 activity funding of institutional capacity building for proper work program and budget planning so that a realistic budget and action plan can be drawn up. Notably, most of the priority project recommendations in the earlier reports have been or are being addressed by the EIF. The priority issue of institutional capacity building remains though. Institutions are needed to guide and coordinate implementation of policies, strategies and plans.	1) Training in public administration and management for the Ministry of Tourism and Tourism Board. 2) Training in tourism management for both institutions.
6) In considering the budget, also consider possible sources of revenue, as mentioned above, for financing the tourism institutions (Ministry of Tourism, Tourism Board or Authority, Tourism College, and Museums and Monuments). If only 20% of the estimated US$15 million in revenue that flows to Government from tourism could be re-invested in tourism, Government would quickly recoup the US$3 million investment from a more strategic tourism sector.	1) US$3 million allocated to the Ministry of Tourism and Tourism Board based on implementation of the EIF program and an updated Tourism Strategy.

[67] McEwen, David and Daniel Daud Siaffa, December 2005, *Republic of Sierra Leone, Diagnostic Trade Integration Study, Integrated Framework for Trade-Related Technical Assistance to the Least Developed Countries – Tourism Development in Sierra Leone,* World Bank, Washington, D.C.

[68] Competitiveness and Corporate Social Responsibility in Sierra Leone: Industry Solutions for Tourism and Mining, FIAS 2006.

Recommended Steps	Monitoring Indicators
7) An additional revenue source that might be considered is the establishment of concessions at national cultural and natural heritage sites. Investors would bid on the right to develop and operate concessions such as cafes, restaurants, and gift shops at venues such as the National Museum, Outamba National Park, Tiwai Island, etc.	1) Concessions Policy drafted and passed for natural protected areas and cultural heritage sites. 2) Pilot concession opportunities tendered for Bunce Island, National Museum, Outamba and Western Peninsula.
8) A related source of revenue and/or project financing is public-private partnerships especially for the main activity areas of the Ministry and NTB, such as marketing and promotion, product development, and education. All of these should be jointly funded through PPPs.	1) PPP established for renovation and operation of new Tourism College.
9) Tourism industry and environment stakeholders call on Government to enforce the Environment Protection Agency Act 2008 to prevent further sand mining on the country's prime touristic beaches.	1) Sand mining is stopped. 2) Alternative materials are introduced with the assistance of the Environment Protection Agency, the Conservation Society of Sierra Leone and associations representing construction materials companies.

Chapter 5: Strengthening Agricultural Value-Chains for Promoting Value-Added Exports

I. Introduction

355. Agriculture, including fisheries and forestry, continues to be the mainstay of the Sierra Leonean economy. Together they contribute about 46 percent of the Gross Domestic Product (GDP) and provide 75 percent of the employment. Rice is the main staple, accounting for about three-quarters of the sector output while cash crops like cocoa, coffee and piassava and others contribute up to 14 percent. Although the country has huge potential in the extractives sector, agriculture will continue to play a key role in the country's socio-economic development by providing employment opportunities for the majority of the population.

356. The main objective of this chapter is to provide an analysis of agricultural value chains for selected commodities - Rice, Cassava, Cocoa and Palm-oil. The purpose is to analyze the county's agricultural competitiveness in selected commodities and to determine what activities and costs along the value-chain account for the highest costs and what actions could be undertaken to minimize these costs, improve value-chain performance and trade competitiveness.

357. For the purpose of this study, a participatory approach to value-chain analysis was adopted. The approach is based on the analytical framework, which was developed for a study of Competitive Commercial Agriculture in Africa (CCAA) – supported by the World Bank and FAO[69].

358. The data collection was structured along the cost build-up framework of the value-chain as shown in Figure 23. At the input supply level, the system is largely informal and poorly structured with a few suppliers specialized in agricultural inputs. In big towns and cities, tools and equipment are procured from general merchandise stores while in rural towns and villages, farmers obtain these supplies from local artisans. Planting materials such as seeds, seedlings and cuttings are obtained either from previous season's crop harvest or from NGO and Government assistance programs.

Figure 22: Main Players in the Value Chain

INPUT SUPPLY	FARM PROD.	ASSEMBLY	PROCESSING	LOGISTICS
Suppliers	Farmers	Farmers	Farmers	Wholesalers
Financial Institutions	Extension Workers	Traders	Processors	Retailers
Farmers	Laborers	Middlemen		Exporters
	Traders			
	Middlemen			

[69] Keyser, 2006.

359. In terms of specific differences across commodities, with the exception of cocoa for which very little value is added beyond fermenting and for which no finished product for local market consumption is available, the value chain for the other commodities follows two distinct pathways. The first is the case where the farmer processes his/her raw materials at the local level and sells the finished product e.g. milled-rice, gari and palm-oil at the available market or traders. In this case the farmer combines the production, assembly and processing function and sometimes also the retail function, and most likely incurs efficiency losses which may be avoided through specialization. In the second pathway, the farmer sells the raw material to an assembler/trader who in turn sells to the processor. The processor transforms the raw material to finished products and sells to wholesalers and/or retailers. Most agricultural sector value-chains in Sierra Leone fall under the first scenario.

360. While there are challenges in obtaining reliable data on value-chain transactions in a poorly structured agricultural sector and weak economy, the data reflects the most accurate estimation under the circumstances. The analysis focused on cost build-ups of key value-chain actors, which is used (in comparison with relevant regional and international benchmarks) as an indicator of value-chain competitiveness. Where significant cost inefficiencies were identified along the value-chain, the study also augmented the analysis with qualitative assessment of the policy and institutional factors in order to identify appropriate interventions to address the key constraints. As part of the terms of reference, the study also assessed the quantity and quality of trade flows along the corridors of Sierra Leone-Guinea and Sierra Leone-Liberia in order to understand the trade barriers along the country's main trade corridors. This assessment mainly involved the main agricultural commodities considered in the value-chain analysis.

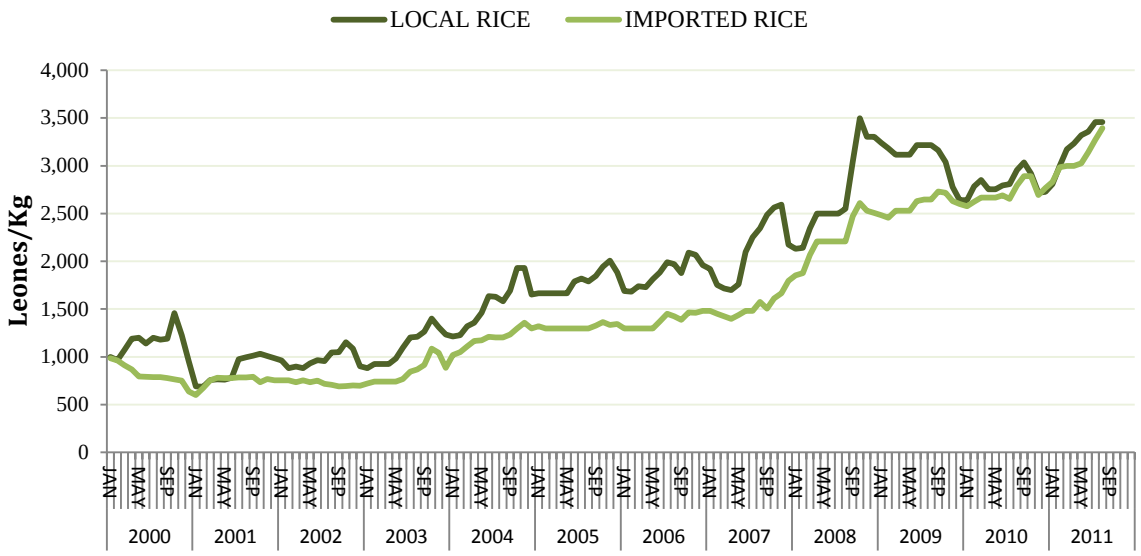
II. Agriculture Sector Performance and Outlook

361. In a bid to strengthen the agriculture sector, sustain growth and facilitate trade of agricultural commodities, the Government's 'Agenda for Change' set out a five-year national plan in which agriculture was identified as one of four strategic priorities, and a critical factor in meeting Millennium Development Goal 1 (Eradication of Extreme Poverty and Hunger). The sector Strategy, the National Sustainable Agricultural Development Program, which was developed in line with the requirements of the Comprehensive African Agriculture Development Program (CAADP) compact, identified a number of programs to improve agricultural sector performance. One of the key flagship programs in the sector is the Smallholder Commercialization Programme (SCP) which is meant to directly support smallholder farmers in commercializing the agricultural sector and ensuring the integration into the agricultural value chain. This program is currently being implemented with support through the Global Agriculture and Food Security Program (GAFSP). There are also a number of projects supported by various development partners, which are aligned to the objectives of the sector strategy.

362. As a result of these efforts made in the agriculture sector, Sierra Leone's production of staple and cash crops has improved over the last few years. For example rice production has nearly doubled since 2007. However, the proportion of rice imports as a percentage of total rice consumption (35%) is still high. This is mostly due to the lower productivity and competitiveness of domestic rice, which results in higher prices compared to imported rice, as well as the issues in the supply and distribution of domestic rice. Labor costs remain high for small scale rice processing and bottlenecks such as poor road conditions and lack of access to transport hamper

access to markets making it costly to market small quantities of domestic rice, and thus the imported rice is still cheaper than domestically produced rice (see Figure 24).

Figure 23: Rice Prices at Retail in Freetown



Source: Statistics Sierra Leone, Consumer Price Index, Average prices series

363. Due to Sierra Leone's higher dependence on imported rice, the country is vulnerable to increases in the price of rice on the international market. During the 2008 commodity price spike the price of rice in Freetown increased by 64 percent during January and March. The Food and Agricultural Organization (FAO) ranked Sierra Leone sixth in its assessment of national vulnerability to global price rises. Sierra Leone is also vulnerable to droughts and floods and other effects of climate change which affect rice production.

364. The production of other staple crops and livestock, including cassava, sweet potato, poultry, small ruminants and cattle has also been on the rise. During the last five years since 2007, total domestic production has increased for all of Sierra Leone's main food products (see Table 15).

Table 15: Production figures for selected agricultural products

	Cassava (000 MT)	Sweet Potato (000 MT)	Cattle (000)	Sheep (000)	Goats (000)	Poultry (000)
2007	1,894	110	326	392	458	5,202
2011	3,413	216	543	716	843	9,933
% Change	80%	96%	67%	83%	84%	91%

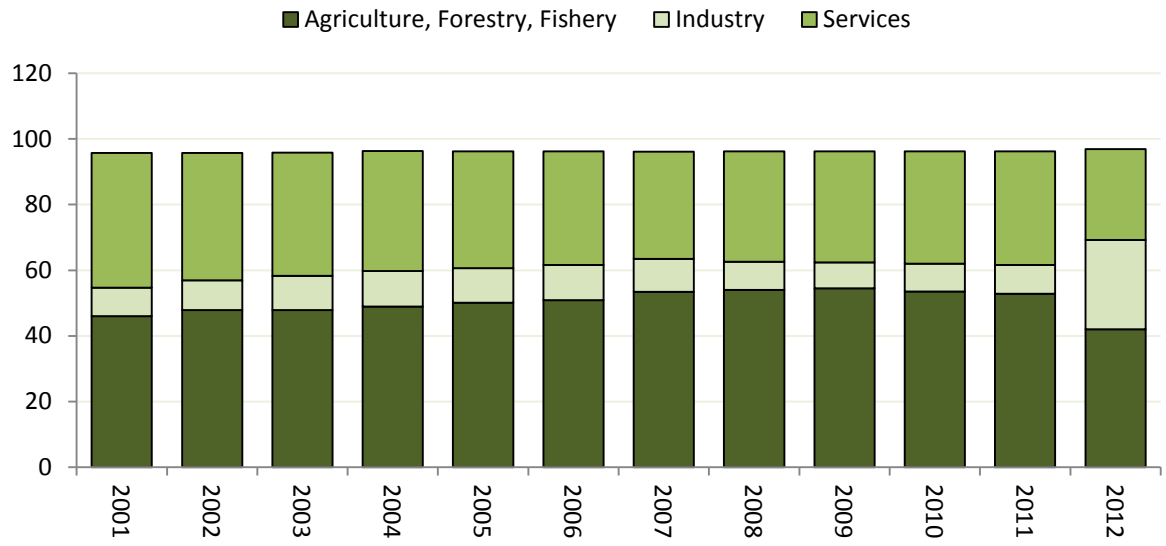
365. These output increases have been achieved mainly due to increases in the land under cultivation (extensification), rather than yield increases (intensification) resulting from technical change. However, this also implies that Sierra Leone has great potential to consolidate agricultural sector performance as a basis for sustained growth and poverty reduction. To be able to achieve this, the sector needs to harness technical change required to achieve

productivity and efficiency gains to promote growth in food and cash crops and agricultural trade competitiveness.

2.1. Contribution to GDP

366. The contribution of agriculture to GDP increased steadily from 46 percent in 2001 to 54 percent in 2008. This increased contribution was fairly stable from 2008 to 2011 with a sharp decrease in 2012 to about 42 percent compared to about 52.8 percent in 2011 (see Figure 25). This drop is largely attributed to the sharp increase in the contribution of the mining sector to GDP from 3.6 percent in 2011 to 22.8 percent in 2012, which raised the total industrial sector contribution from about 8.8 percent in 2011 to about 27.3 percent in 2012. However, in spite of this drop, agriculture still accounts for the largest share of contributions to GDP (nearly twice as much as mining and quarrying). The contribution of the services sector has declined significantly over the period under review from about 41 percent in 2001 to about 28 percent in 2012. The scenario suggests that with vast arable land and opportunities for introduction of improved farming technologies and trade facilitation, agriculture will continue to play a prominent role in the sustainable growth and expansion of the economy.

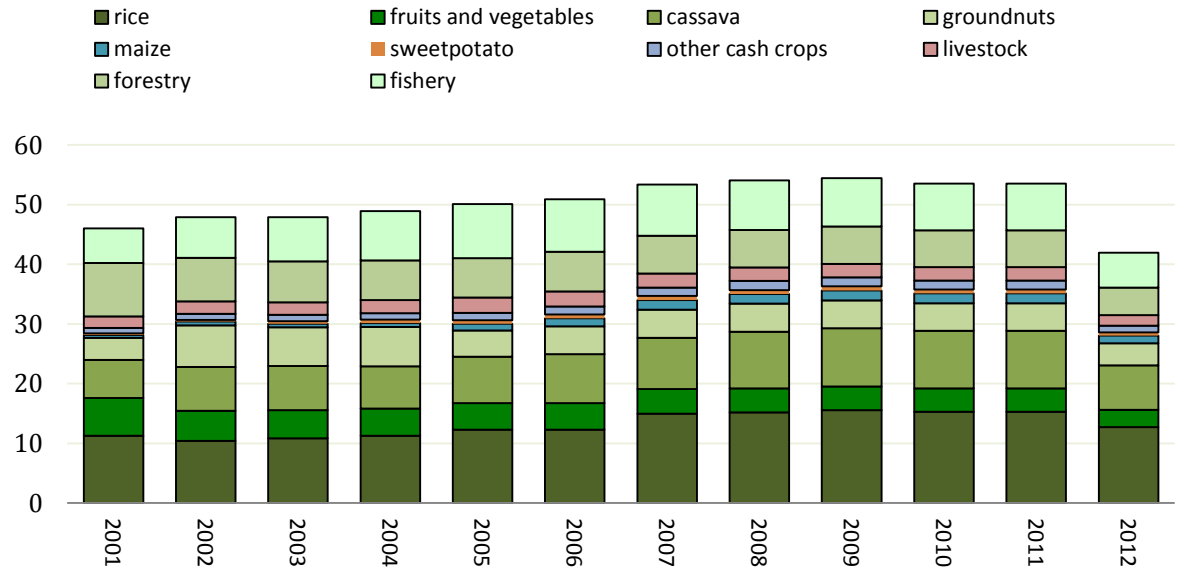
Figure 24: Agriculture Contribution to Sierra Leone GDP (%)



Source: Statistics Sierra Leone, 2013

As shown in Figure 26, the crop sub-sector continues to account for the largest portion of agriculture's contribution to GDP followed by fisheries, forestry and livestock. Within the crop sub-sector, rice and cassava remain the most important commodities while the contribution of tree crops (with potentials for export) is also increasing.

Figure 25: Contribution of Crops, Livestock, Forestry and Fisheries to Agricultural Value-Added (%)



Source: Statistics Sierra Leone, 2013

2.2. Annual Crop Production

367. In terms of annual crop production, there has been a significant increase in production volumes since 2001. The largest increase has been for root and tubers with production of cassava and sweet potato growing at average annual rates of 36.6 percent and 30.7 percent, respectively, from 2005 to 2012. Production of maize and pulses increased by 18 percent, while rice production increased by 17.4 percent over the same period (Table 16).

Table 16: Annual Crop Production Trends (2001 – 2012), '000 mt

Year	Paddy	Maize	Cassava	Sweet potatoes	Pulses
2001	198.00	10.00	241.00	28.00	15
2002	310.62	10.03	393.46	25.75	28
2003	422.07	11.90	438.95	39.63	33
2004	445.63	12.49	534.67	56.21	40
2005	542.00	13.11	856.15	95.17	43
2006	552.00	16.24	1,120.63	99.93	48
2007	562.00	20.30	1,456.82	104.93	52
2008	588.00	22.85	1,893.87	110.17	58
2009	680.10	23.53	1,988.56	113.48	59
2010	888.42	44.46	2,818.58	176.97	70
2011	1,026.67	51.39	3,250.04	206.19	82
2012	1,037.65	53.21	6,261.17	391.96	81

Source: PEMSD, MAFFS (2013).

2.3. Tree Crop Production

368. Cocoa, Coffee and Oil-palm remain the most important tree crops with large acreages under cultivation – 123,576ha, 71,791ha and 528,536ha in 2011, respectively. The production of these crops increased by an annual average of 29.4 percent, 19.17 percent and 14.9 percent respectively over a ten-year period - 2001 – 2011. These increases in production are largely a result of increased area under cultivation, and to some extent increases in yield (resulting from introduction of improved varieties and management practices) likely triggered by international market demands and export prices. However, output growth is attributed largely to increased area under cultivation. As shown in Table 17, area has increased from 30,000 ha in 2001 to over 123,000 ha in 2012 under cocoa while yield has tripled over a 10-year period. For coffee, the area under cultivation has grown five times from about 14,000 ha in 2001 to over 71,000 ha in 2012 while yield has almost remained stagnant. For palm oil, area under cultivation has almost doubled from about 219,000 ha in 2001 to over 528,000 ha in 2012 while the yield has grown by almost 50 percent over a 10-year period. Output growth based on extensification is unlikely to be sustainable because in the long-run when the country reaches its land frontier, it will not be possible to sustain output growth by bringing more land into cultivation. As such, there is need to pursue strategies to increase the production per unit area.

Table 17: Cash Crop Production Trends (2001 – 2011)

Year	Cocoa			Coffee			Oil Palm		
	Area Cultivated (Ha)	Yield (Mt/Ha)	Prod (Mt)	Area cultivated	Yield (Mt/Ha)	Prod (Mt)	Area Cultivated	Yield (Mt/Ha)	Prod (Mt)
2001	30,333	0.36	10,920	14,037	1.78	24,986	218,750	4.50	984,3
2002	35,135	0.37	13,000	16,854	1.77	29,832	293,750	4.50	1,321
2003	42,105	0.38	16,000	21,910	1.77	38,781	306,250	4.50	1,378
2004	49,762	0.42	20,900	28,843	1.78	51,341	312,500	4.50	1,406
2005	57,226	0.42	24,035	35,208	1.79	63,022	328,125	4.50	1,476
2006	73,576	0.42	30,902	42,725	1.80	76,905	344,531	4.50	1,550
2007	84,578	0.42	35,523	49,134	1.80	88,441	361,758	4.50	1,627
2008	97,265	0.42	40,851	56,505	1.80	101,709	416,022	4.50	1,827
2009	106,992	0.87	93,083	62,156	1.88	116,852	457,624	6.40	2,928
2010	117,691	0.91	107,09	68,372	1.97	134,693	503,368	6.72	3,382
2011	123,576	0.91	112,45	71,791	1.97	141,428	528,536	6.72	3,551

Source: PEMSD, MAFFS

2.4. Exports

369. The export market for agricultural commodities is weak having deteriorated significantly over the years from a net export earner of at least six commodities (rice, cocoa, coffee, palm-oil, ginger and piassava) to just two (cocoa and coffee). The agricultural export sub-sector was drastically affected by the civil war because most of the permanent crops such as cocoa, coffee, palm oil and others were left unmaintained for a long period of time.

370. Notwithstanding the above, volumes of exports and corresponding values have increased by an annual average of 70 percent and 87 percent, respectively, for cocoa while

those for coffee have doubled and trebled (see Table 18). These increases, however, have not been steady. In 2006 for instance, there was a drastic drop in volumes of exports although values remained high due to high market prices for these commodities. The generally favorable prices for these tradable commodities have helped to keep export values on the increase except for 2006/07 when prices fell.

Table 18: Agricultural Export Volumes (Mt) and Values (US$) by Commodity (2001 – 2011)

Year	Cocoa		Coffee	
	Volume (Mt)	Value (000 US$)	Volume (Mt)	Value (000 US$)
2001	641	265.9	75	22.9
2002	1,178	1,218.9	947	272.1
2003	2,733	2,572.8	113	40.1
2004	6,187	5,259.4	118	52.8
2005	7,169	5,524.9	1,039	735.5
2006	2,502	11,570.8	693	1,093.4
2007	7,384	11,368.1	717	1,854.7
2008	17,893	14,981.9	1,958	1,487.5
2009	24,514	20,544.6	2,695	1,312.5
2010	16,583	26,456.6	4,730	-
2011	28,001	-	7,951	-

Source: Customs and Excise Department (NRA), International Finance.

III. Value Chain Analysis for Key Commodities

371. The results from the analysis of the value chains shows that agricultural value chains for the four commodities included in the study are not well developed as they are limited to the primary stages of production and processing. Most of the value chains are rather short due in part to limited development of the agricultural input sub-sector, limited agro-processing as a result of the absence of appropriate/improved processing technology and associated technical capacity. Therefore, farmers continue to use crude and largely inefficient production and processing methods – traditional processing methods are widely used for all commodities, although there is now an emergence of small-scale processing for rice, cassava and cocoa (drying) mainly attributed to distribution of equipment and establishment of Agribusiness Centres undertaken through MAFFS programs/projects. There are relatively few intermediaries between producer and consumer, few market channels, little transformation, poor infrastructure, and an absence of support services. Hence, in many instances, farmers combine the production, assembly and processing functions. Middlemen are largely limited to transportation, marketing and distribution.

3.1. Analysis of the Rice Value Chain

372. Value chain actors for rice include farmers (who sometimes combine the threshing, milling functions at the local level), millers, wholesalers, retailers and importers. Farmers produce husk rice, dry the produce on local drying floors and mill the rice mostly by hand and sometimes at rice-mills for farmers with fairly large stock or with MAFFS' assisted ABC/FBO. Some farmers sell their produce to NGOs under the Purchase for Progress (P4P) program supported by the World Food Programme while others sell to brokers and traders who

aggregate the volumes for sale to processing terminal markets in Freetown, other urban centers, or to a limited extent across the borders to Guinea and Liberia.

373. As rice moves from farm production through other stages of the chain, there is a build-up of both costs as well profit margins for the value-chain actors. In terms of the overall costs, about 35 percent are incurred at the farm-gate, 37 percent at the assembly level, 16 percent at the processing stage and 12 percent at the distribution or logistics level (see Table 19).

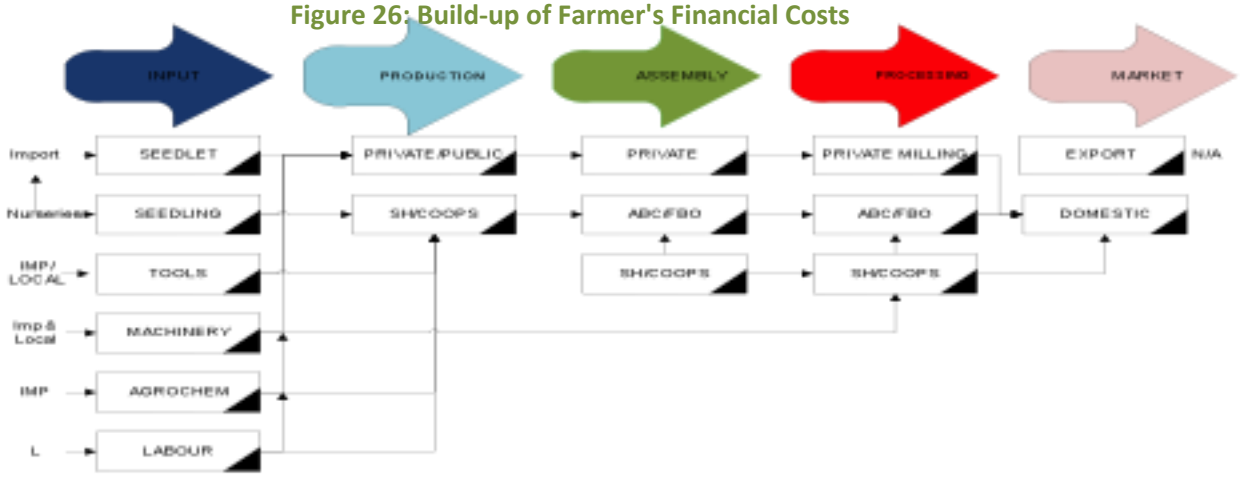
Table 19: Price Build-up and Profitability of the Rice Value Chain

Variables	Farm-Gate Product		Assembled Raw material		Processed Raw Material		Traded Commodity	
	SL Le	US$	SL Le	US$	SL Le	US$	SL Le	US$
Gross Revenue	1,500	344.83	1,700	390.80	2.160	496.55	2,400	551.72
Production Cost								
Crop Purchase			1,500	344.83	1,700	390.80	2,160	496.55
Other Variable Costs	588	135.19	88	20.12	245	56.31	50	11.49
Investment Costs	180	41.38	-	-		-	-	-
Total Costs	768	176.58	1,588	364.94	1,945	447.12	2,210	508.05
Final Income								
Gross Margin	912	209.63	113	25.86	215	49.43	190	43.68
Net Profit	732	168.25	113	25.86	215	49.43	190	43.68
Rate of Return								
Gross margin/TVC	1.55		0.07		0.11		0.09	
Net Profit/TC	0.95		0.07		0.11		0.09	
Price Build-up (%)	34.74		37.11		16.14		12.00	
Profitability (%)	62.5		8.30		19.17		10.00	

Source: Data from Current Agricultural Value Chain Study (2013).

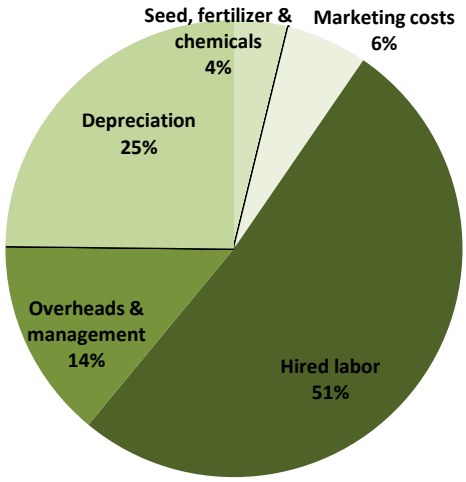
374. Most of the costs incurred at the production and assembly levels are due to higher farm-gate price, relative to the price of the finished product. This is mostly the case because of the lower productivity of paddy rice (averaging less than 2 mt/ha) and the high labor costs resulting from the use of inefficient production technologies (see Figure 27). Relatively higher farm-gate prices raise the bulking costs for the traders at the assembly level and this in turn is passed on to the processing/millers, when they purchase aggregated volumes from the traders. Higher costs at these lower levels result in lower profit margins at the processing and distribution levels while at the same time raising the overall production costs (domestic value-added), As such farmers and assembly profit margins relative to those gained by processors and retailers/wholesalers i.e. 62.5 percent for farmers, 8.3 percent for assemblers/traders, 19 percent for processors/millers and 10 percent for distributors.

Figure 26: Build-up of Farmer's Financial Costs



375. The qualitative analysis examined the structure of the value-chain, the enabling environment, inter-firm collaboration (both vertical and horizontal) supportive market and Firm Up-grading. Figure 27 presents a schematic diagram of the rice value chain in Sierra Leone. Typically, the value chain comprises of the input sub-system provides factors of production such as seeds, tools/machinery, fertilizers, labor and technical know-how to farmers. Labor accounts for the lion's share of costs along the rice value chain in Sierra Leone. (Figure 28)

Figure 27: Composition of Costs along the Rice Value Chain in Sierra Leone



376. The production stage, which comprises of mainly smallholder farmers, is expected to benefit from an active and efficient input delivery system in order to obtain the inputs required for production. In the case of Sierra Leone, the structure of the input supply system for rice is very thin and in many cases non-existence. The Government research centers (Rokupr Rice Research Centre under SLARI) provides seed multiplication services through various projects and programs, however, the scope for this is often limited and unsustainable if the private sector is not involved. Private sector involvement in the other stages is also limited to traders, millers and wholesalers/retailers, in addition to the other actors provided through the public sector

support (government assisted ABC/FBO who have been supplied with milling and destoning equipment).

Enabling Environment

377. Despite the fact that rice is a major staple in Sierra Leone, the country's enabling environment is particularly limiting. With good seed and related management practices, the yields for paddy rice could almost immediately be increased to double the current amounts—from 1.6 to over 3 mt/ha. However viable seed multiplication is yet to be established to replace the defunct Seed multiplication. With the addition of pesticides and fertilizer and improved management methods, the potential yields could double again to 8 mt/ha. Pesticide and fertilizer laws are weak or nonexistent, making farmers cautious of using the products that are on the market. The prices of the production inputs are high due to low level of suppliers coupled with import taxes that are levied. Furthermore, there is no credit system to provide input financing to farmers who are mainly considered as a high-risk group by the financial sector. If the objective is to ensure increased rice production to offset the dependence on imports, there is a need for a viable strategy that addresses these key value-chain issues in a consistent manner. There is need to review the rice development policy to provide a conducive environment to private sector players to participate in the various segments of the rice value-chain. Sierra Leone could become a net exporting nation but this has to start with viable seeds and appropriate inputs such as fertilizers, machinery, know-how, machinery to enable cultivation in all rice ecologies including the in-land valley swamps where the potential for productivity increase is higher than in upland ecologies. The private sector should be given an incentive to supply inputs such as machinery, pesticides, improved seed, as well as milling equipment and accessories. Public research and extension needs to become more responsive to the needs of farmers and other value-chain players.

378. There are also implications for importers and for storage and other facilities up-country and at the port. Policies to encourage the proper storage of rice and other measures will need to be taken to accommodate the shift to surplus. Tax holidays for the construction and operation of bonded warehouse facilities, the establishment of a commodity exchange, a warehouse receipting system and loan guarantee programs have been used effectively in many developing countries to make the transition to a value chain that is orientated to export markets.

Linkages: Cross-Actor Cooperation—Vertical & Horizontal

379. The strength of value-chain integration depends on how various actors coordinate with each along the value-chain. The stronger the value-chain integration, the higher the overall value-chain performance is. Domestic market actors and exporters will need to change as Sierra Leone pursues import substitution or export promotion strategy. For example, storage and port facilities and services in Freetown will have to be improved and reoriented. Joint space for storage organized for broad participation by farmers, wholesalers, retailers and others in the system will be needed. Something similar to bonded warehouses and warehouse receipts will have to be developed to permit safe storage and to give maximum participation.

380. At the producer level, cooperation must be undertaken to get better seeds and other inputs more widely distributed. This could involve cooperation with the Extension Service and researchers of MAFFS in developing demonstration plots, improving credit by participating in groups, and group participation in storage and other functions as the case of ABC/FBO. Tractor

and other services should be transferred from the ministry to private sector providers. This will, incidentally, free up ministry funds to finance extension and research, which are major public goods.

381. At the milling and wholesale levels, improved technologies will have to be developed and adopted to ensure that rice intended for export is of high grade and a grading system is essential in ensuring consistent product quality in line with market demands. Among other things, this implies the consideration of a grading system, which has integrity to avoid fraud and misuse. A grading system will have to be developed that is consistent with world market participation. This grading system will have to be developed and administered in a way that makes it acceptable to international markets. These grades will have to permeate the rice production and distribution system.

382. Financial mechanisms such as bonded storage and warehouse receipts can be developed for storage that permits all participants in the sector to participate. Cooperative ownership of milling and polishing facilities is another possibility. These can be designed so that everyone in the value chain can participate and take risks that they are comfortable with. The idea is to develop services that are valued in the country and keep trade within the country, rather than try to stop illicit trade, which will continue if in-country systems are not functioning.

Supporting Institutional Arrangements

383. There are many elements of supporting markets for rice, which need to be introduced or enhanced in Sierra Leone. These include seed development and certification, credible and secure seed regulations that are in line with regional standards; pesticide and fertilizer regulations, a self-regulating and enforcing grading systems; extension and research partnerships with the private sector and milling standards that are consistent with domestic, regional and international market requirements.

Firm-Level Upgrading

384. Firm-level upgrading is essential to the rice value chain and its success in the growing agricultural economy. Producers must operate in an environment that encourages adoption of new seed and modern input packages. The organization of farmers through cooperatives and FBOs is important in this respect, as this improves the farmers' collective bargaining position through economies of scale, but also reduces the transaction cost of product aggregation, thereby improving value-chain performance. In other countries, crop consolidation programs are designed to achieve higher output through consolidation of farm plots and growing of similar commodities over large areas of land. Yields of paddy rice can quadruple if the system is appropriately developed and applied. Processing firms or cooperative ventures must be improved in order to ensure that quality of domestic milled rice is comparable to imported rice.

385. This requires significant improvement in the operations of small-scale milling facilities including those provided through the ABCs. There is need for improving the efficiency of operations, but also ensuring consistently high throughput, which invariably requires high productivity and output. Producers, middlemen, wholesalers, traders, and retailers must all participate in these upgrading efforts, which have to be facilitated through an enabling financial sector for the provision of the capital required for investment.

3.2 Analysis of the Cassava Value Chain

386. The main cassava value-chain players include suppliers of inputs, producers, processors, local market assemblers and traders, wholesalers and retailers for domestic and export markets. A significant number of farmers also assemble and process raw tubers into gari and other minor products such as *foofoo* and *kondogbala.* Processing of cassava occurs at different stages in the value chain – at the farm-gate, community and processor levels. Due to the increasing importance of gari for both local and export markets, appropriate processing machinery is now being used at all levels. Gari is transported by traders and wholesalers into local retail markets and exported to regional markets particularly in Guinea and Liberia.

387. The bulk of the costs are incurred at the assembly (28.5 percent) and processing (36.3 percent) stages of the cassava value-chain. This is mainly due to the significant costs incurred in handling, transforming and storing a highly perishable crop like cassava. The farm-gate accounts for only 18 percent, whilst trading of the final product (gari) makes up 17 percent of the total value-chain costs (see Table 20).

Table 20: Price Build-up and Profitability of the Cassava Value Chain

Variables	Farm-Gate Product		Assembled Raw material		Processed Raw Material (Gari)		Traded Commodity	
	SL Le	US$	SL Le	US$	SL Le	US$	SL Le	US$
Gross Revenue	170	39.08	255	195.40	425	97.70	553	127.01
Production Cost								
Crop Purchase			170	39.08	255	58.62	425	97.70
Other Variable Costs	74	16.94	56	12.96	147	33.79	60	13.68
Investment Costs	14	3.18	-	-		-	-	-
Total Costs	88	20.12	226	52.04	402	92.41	485	111.38
Final Income								
Gross Margin	96	22.14	29	6.58	23	5.29	68	15.63
Net Profit	82	18.90	29	6.58	23	5.29	68	15.63
Rate of Return								
Gross margin/TVC	1.31		0.13		0.06		0.14	
Net Profit/TC	0.94		0.13		0.06		0.14	
Price Build-up (%)	18.14		28.46		36.29		17.11	
Profitability (%)	30.74		15.37		30.74		23.15	

388. Although there are high costs for the assembly and processing stages along the cassava value-chain, the distribution of profit margins seems quite fair among all the value-chain players. Farmers get about 31 percent of the profit while assemblers, processors and distributors get 15 percent, 31 percent and 23 percent, respectively. Given the high volumes handled at levels higher than the farm-gate, this is a fair distribution of profits, and a good indicator of overall value-chain integration and competitiveness. Introduction of improved, high yielding varieties and intensification of farmers' field schools is an important measure that could increase output and net-income returns at the farm-gate. Introduction of small-scale, efficient cassava processing technologies, facilitation of large scale production and processing including diversification to animal feed, improve road networks and reduction in transportation costs will help to significantly improve the potentials of a fast-growing export commodity.

Enabling Environment

389. Cassava and its by-product, gari, are the second most important staple in Sierra Leone after rice. The improved roads from producing areas like Bo and export corridors like Pamelap to Guinea have boosted the sub-regional export trade of cassava/gari. Actors in the value chain appear to earn a reasonable return for their efforts. The interplay between rice and cassava is a major driver of the cassava economy. Regional and local markets fall into the pattern indicated for the domestic market in major cities. They are full of competitors who drive the margins down to acceptable levels. Major issues for them include the transport system and the high costs associated with poor roads, inefficient trucking services, and poor flow of market information. Farmers produce both cassava leaves and gari (and foofoo), which are increasingly processed on farms due to environmental concerns with processing in urban areas. Farmers make money by producing high-quality gari and working closely with the wholesalers. One difficulty is that quality standards for gari are not well defined, hence, developing and administering quality standards for gari is an option worthy of serious consideration.

Linkages: Cross-Actor Cooperation—Vertical and Horizontal

390. Opportunities for vertical integration are less impressive, largely because the chain is relatively short. Vertical integration can come from backward linkages from the retailers to wholesalers to producers to input suppliers. There is not much of a possibility for these to start with the retailers because the retail industry is dominated by small enterprises. It is likely to come from the wholesalers, which are small but larger than the retailers. The idea is to link backward, with product quality and prompt delivery being the main considerations.

391. Horizontal collaboration is a source of competitive advantage in this industry and horizontal relationships in the value chain have great potential. Many producers already operate in groups. These groups can collaborate to purchase improved machines of greater capacity and efficiency to benefit from the economies of scale, gain access to credit for groups at lower rates due to reduced risk, purchase seeds of improved types that are sourced collectively, and request standards for improved grading of their product. Input and machinery suppliers can benefit from the horizontal actions of producers, and can act to stimulate them. Wholesalers can collaborate in shipping and storage, by sharing transport and other services. They can also combine to serve the export market. There is a lot of opportunity for consolidation of the industry, and interventions should be designed to take advantage of these opportunities through increased coordination. Market information, supply sharing and development of new products are examples.

Supporting Markets

392. Supporting markets and services of governmental institutions and the financial service industry present another opportunity to improve the efficiency of the cassava value chain. New ways of extending credit, which is essential to expanding farm, processing and wholesale operations, needs to be developed. Credit suppliers should encourage farmers to organize joint purchases of machines to improve processing. Government or industry associations could set standards for products and the development of market information systems. Industry agents need to keep records as well: one reason that bank loans are scarce is the inability of producers to give a responsible and clear picture of their operations and business plans, without which banks have no basis to undertake credible due diligence analysis of credit worthiness.

Firm-Level Upgrading

393. Multiple levels in the value chain are shown in the cassava value chain. At the processing and wholesale level, there are significant opportunities for coordinated action, exporting, warehousing, and coordination of farmer suppliers. At the producer levels there is room for cooperation and for improvements in inputs such as seeds and machineries. Coordination of supply to wholesalers through managing the processing is another possibility. In general, quality information and trust can make the sector more efficient and increase output, all of which can be consumed in export and domestic markets under current conditions.

3.3. Analysis of the Cocoa Value Chain

394. The cocoa value-chain in Sierra Leone includes farmers who produce and undertake primary processing activities such as sorting, drying and fermentation of the beans. Farmers sell the dry beans either to village-level collectors, traders and local agents who usually travel to the farms and transport the beans to larger aggregation warehouses. Some farmers also by-pass the traders and collectors to sell directly to large-scale buyers at the assembly gate. Traders either sell to city agents who transport and sell to wholesalers or work on commission for them. Wholesalers in turn sell to consignment buyers and exporters or export the commodity themselves. Besides drying and fermenting of the beans, no further value is added to the commodity in country.

395. The value-chain analysis shows that about 43 percent of the costs are incurred at the farm-gate, about 27 percent at the assembly and 30 percent at the processing and exportation stages. Nearly half of the total value-chain profit is gained by processors and exporters, 34 percent by farmers, and 16 percent by assemblers (see Table 21). The high costs at the farm-gate are mainly due to the lower levels of productivity (averaging 0.4 mt/ha) given that most of the cocoa plantations in Sierra Leone are aged, and rehabilitation is happening but at a rather slow pace. However, farmers still make more than a third of the profit because of the very low levels of investment in inputs. The high profit appropriated by the processors is due to the favorable international prices of cocoa.

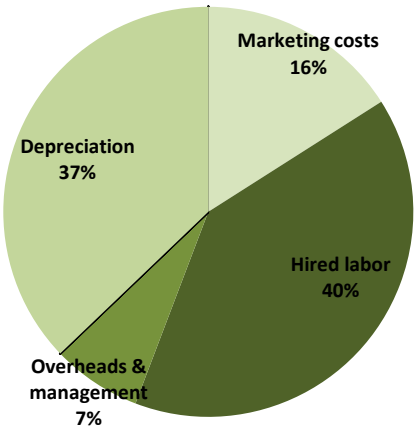
Table 21: Price Build-up and Profitability of the Cocoa Value Chain

Variables	Farm-Gate Product		Assembled Raw material		Processed Raw Material		Traded Commodity	
	SL Le	US$	SL Le	US$	SL Le	US$	SL Le	US$
Gross Revenue	2,353	540.91	3,482	800.54			6,938	1,595
Production Cost								
Crop Purchase	-	-	2,353	540.91			3,482	800.54
Other Variable Costs	1,192	273.93	235	84.32			380	87.36
Investment Costs	453	104.05	-	-			-	-
Total Costs	1,644	377.98	2,720	625.23			3,862	887.90
Final Income								
Gross Margin	1,161	266.98	763	175.31			3,076	707.10
Net Profit	709	162.92	763	175.31			3,076	707.10
Rate of Return								
Gross margin/TVC	0.97		0.28				0.80	
Net Profit/TC	0.43		0.28				0.80	
Price Build-up (%)	42.57		27.86				29.57	
Profitability (%)	33.92		16.27				49.81	

Source: Data from Current Agricultural Value Chain Study (2013).

396. The analysis above suggests that high cost at the farm-gate is a major constraint to the productivity of the cocoa value-chain. These costs include labor (40 percent), depreciation (16 percent) and marketing of cocoa beans (32 percent) as shown in Figure 29.

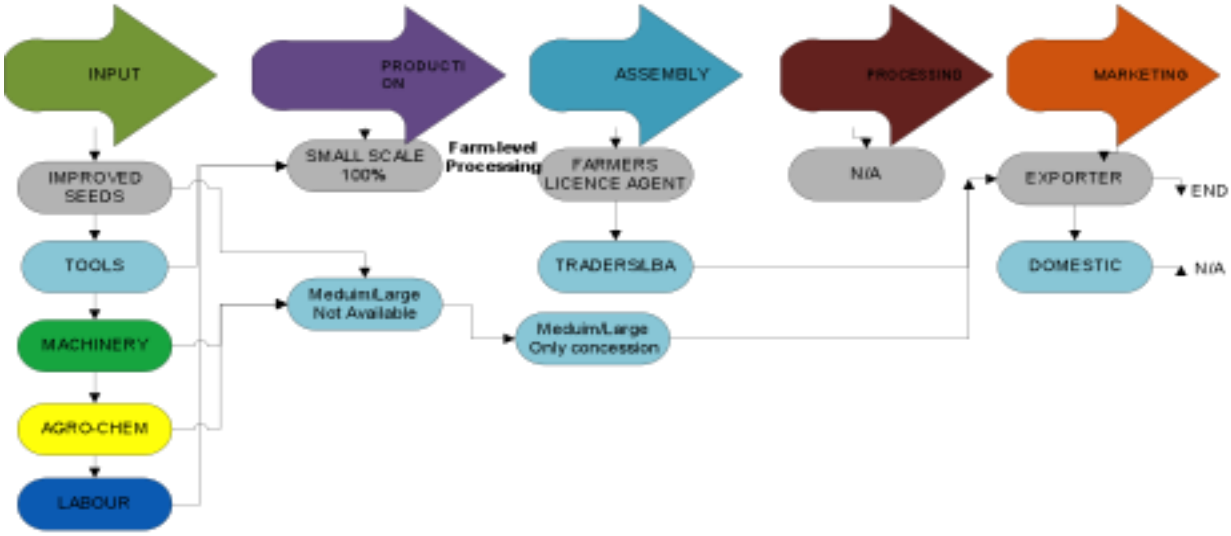
Figure 28: Build-up of Farmer's Financial Costs



397. Improving competitiveness of the cocoa value-chain lies in reducing costs of production through the introduction of high yielding and disease resistant varieties, good agronomic practices and re-introduction of grading and standardization to encourage farmers to produce high grade cocoa with the incentive to fetch higher prices. Improving road networks thereby reducing the transportation costs would also contribute to enhancing competitiveness.

398. The cocoa sub-sector in Sierra Leone has a considerably simple value chain. It comprises the initial cultivation, farm maintenance, harvesting and farm-level processing—fermentation and drying. These activities are primarily farm-based and are usually carried out by a smallholder producer or a cooperative (see Figure 30). The chain includes an input sub-system and a production and assembly stages for the local export market. There is no processing stage except for the farm-level processing as discussed below:

Figure 29: The Cocoa Value Chain



399. There are only two main levels of value addition of cocoa in Sierra Leone. These include harvesting, shelling, fermentation and drying, which are undertaken at the farm-gate. At the assembly and exporters levels, the main functions include packaging and logistics, cleaning and sorting as well as repackaging before the final shipment.

Enabling Environment

400. The MAFFS and MTI are involved in the cocoa value chain in a number of ways. With the gradual withdrawing of government presence in the cocoa sector, the government created in 2002 a more private sector oriented "ad hoc" Committee that has now formed the Sierra Leone Commodity Marketing Agency (SLCMA). It was tasked with looking at the quality of cocoa destined for export, ensuring better prices to farmers, reducing smuggling, and collecting an export levy on all commodity exports. An activity for which it is best known now is setting guidance prices paid to farmers (a floor price) for each season based on the international price at the beginning of the season, and adjusted with a margin reserved for intermediaries and exporters.

401. The Sierra Leone Produce Marketing Company (SLMPC) is another parastatal that was established to replace the defunct Sierra Leone Produce Marketing Board (SLPMB), which had previously held the monopoly for the export of cocoa from Sierra Leone. The new SLPMC is expected to compete with existing exporters. Lessons from cocoa-producing countries is that liberalized trading in cocoa provides a higher percentage of FOB price to the farmer, unlike the use of parastatals which normally tax farmers in order to pay for their inefficiencies. However, it is important to ensure some level of regulation of standards based on close monitoring of dynamic consumer standards. It is, therefore, critical for the state to assist the private sector in

the enforcement of standards in the processing and grading of cocoa. Rent seeking behavior by some government agents has led to a loss of credibility in the current cocoa grading system.

402. The existence of the former SLPMB warehouses at the port provides adequate storage space for exporters. There is, therefore, no apparent constraint at the warehousing level. Warehousing facilities are adequate, although they could be upgraded in terms of ventilation, as cocoa waiting for shipment should be well ventilated and protected from accumulated humidity. Licenses are issued fairly quickly after proof is provided of being a legitimate operation with regular business accreditations. However, weak transport services and the poor state of the road network are significant constraints to the competitiveness of cocoa at every level of the value chain. Extensive transaction costs are incurred in the transportation of cocoa from the farm-gate to the processing warehouses in Freetown. This adds a significant proportion to the overall costs, as the cocoa belt is in the eastern region of Sierra Leone where road infrastructure is poor. However, the main road linking Kailahun to Kenema the regional capital is now under construction and when completed may likely boost the volumes of exports and reduce transportation costs. Feeder roads linking producers are also a major challenge that needs to be up-graded.

Cross-Actor Cooperation—Vertical and Horizontal

403. At the beginning of each cocoa harvest season, exporters meet to discuss and settle on a plan for the season, establishing quality norms and a price range offered to farmers. The price range is based on the guidance provided by the National Commodity Marketing Agency (NCMA) based on current and projected international cocoa prices, projected global demand and supply, and margins for intermediaries. However within a short time into the season, the agreed-upon prices guidelines are normally abandoned as exporters' agents compete to establish seasonal loyalty from farmers. Advantage sought by collusion at the beginning of the season disappears as the season progresses, as market forces emerge and increase competition. However, given the limited supply (as the sub-sector is emerging from very low levels), competitive pressure from traders diminishes quality as each sub-trader seeks to secure maximum volume of cocoa beans.

404. The level of integration in the cocoa value-chain depends on the paths through which cocoa moves along the chain. When cocoa is bought at the farm-gate and passed on to traders and export agents, vertical integration is low, as price information and market needs are not passed on to growers, traders and transporters and there is little knowledge sharing among the value-chain players. On the other hand, when cocoa is sold directly to export agents either at the farm-gate or at the export warehouse, backward linkages are created and in some instances exporters are willing to offer credit services to growers as advance payments on production, when they establish personal ties with farmers. Furthermore, although there is less integration because of fewer intermediaries, knowledge sharing and information exchanges are more frequent, with both ends of the chain benefiting. An example of improved vertical integration is found in Kono where an importer has signed a contract with an EU supported cocoa project in which price information, quality standards (fermentation and drying) and knowledge about good agricultural practices (GAP) are shared among members of the recently created Millennium Cocoa Cooperative. The extent of trader intermediaries is not known, but the Cooperative requirement on its members is that the exported bean meets the buyer Grade 1 quality standards in exchange for cooperative assistance that include under-brushing, trimming and hoed around the tree, and spraying of cocoa against black spore disease.

405. At the production/horizontal level, producer cooperatives and the Farmer based Association promote collaboration, but opportunities for shared transport, grouped price negotiations or shared marketing are missed because small land-holding farms are dispersed over a wide area. Production quality and quantity had already dropped prior to the war although the prolonged conflict exacerbated the problem, particularly in terms of the regularity of transport, degradation of roads, and in the displacement and near disappearance of qualified, older and experienced cocoa farmers with little transfer of skills to a younger generation of producers.

Supporting Market Institutions

406. Support markets are lacking in the cocoa value chain other than transport and warehouse services. The government provides some quality control (extension workers) and certifying agents at the warehouse export points. Special market niches are emerging including organic market, insurance, financial products or credit unions for cocoa producers. However, opportunities for Sierra Leone to focus on the organic cocoa market are high given the limited application of inorganic inputs.

Opportunities for Improved Productivity and Competitiveness of the Cocoa Value Chain

407. The Sierra Leone cocoa sub-sector has significant potentials to significantly increase productivity and efficiency in the short and medium term (12 months to 3 years) and its competitiveness, especially in the high value specialty cocoa market channels in the medium term (3-5 years). The Short-term opportunities are defined as those that can be undertaken by value chain participants in partnership with global buyers, commercial banks, public sector officials, and external facilitation by value chain and cocoa industry experts. There are three opportunities in the short term. The first is to increase the quality of Sierra Leone cocoa entering the global market through improved coordination among industry players, improved information flows using value chain participants, and IT service providers. The second opportunity is to begin investing in expanding Sierra Leone's cocoa base with improved genetic stock. The third short-term opportunity is to improve the efficiency of the cocoa industry through increased participation by and coordination of cocoa value chain participants.

408. Medium-term opportunities include increasing the quality and consistency of Sierra Leone cocoa per international standards, via technical assistance and improved access to capital, continued expansion of Sierra Leone cocoa stock, and continued efficiency gains through improved processing, post-harvest handling and transport.

409. The most important long-term opportunity for cocoa and other commodities is the upgrading of the transportation infrastructure including tertiary, secondary/truck and feeder roads, and sea ports in order to significantly reduce the transport costs of moving cocoa from production centers to exporters.

3.4. Analysis of the Palm Oil Value Chain

410. Major players in the palm-oil value chain in Sierra Leone include farmers/producers, processors, village collectors, local traders, wholesalers, retailers and some informal exporters. In addition there are importers of cheaper Malaysian palm oil who also mix imported oils with local red oil. Processing of palm oil is mostly done at the farm level by women. Palm oil is

usually purchased at the farm by traders who pay for the transport costs to the nearest collection point or retail market. Palm oil that is destined for wholesalers is stored by the trader, and later trucked to the new buyer who incurs the transport costs.

411. Relatively high costs are incurred at the processing (42 percent) and logistics/trading (26 percent) stages. This is largely due to the cumbersome nature of transforming fresh-fruit bunches to palm oil using mostly inefficient traditional methods, coupled with the high costs of transporting bulky materials and finished product. Costs at the farm-gate (19 percent) and assembly stage (13 percent) are relatively lower (see Table 22). Specific cost elements at the processing stage include packaging and consumables, and energy, vehicle operations and maintenance. At the assembly stage, key cost centers are vehicle costs, depreciation and overheads, and crop levies and fees.

412. Whilst costs are higher at the processing and logistics stages, revenues and net-profits accrued at these stages are also higher – about 40 percent and 34 percent, respectively. This is mainly due to the higher and favorable international prices for palm oil, which are not fully passed on to the farm-gate. Sierra Leone has the reputation of producing quality palm oil in the sub-region. As such, the demand from neighboring countries often means that prices offered to processors tend to be higher.

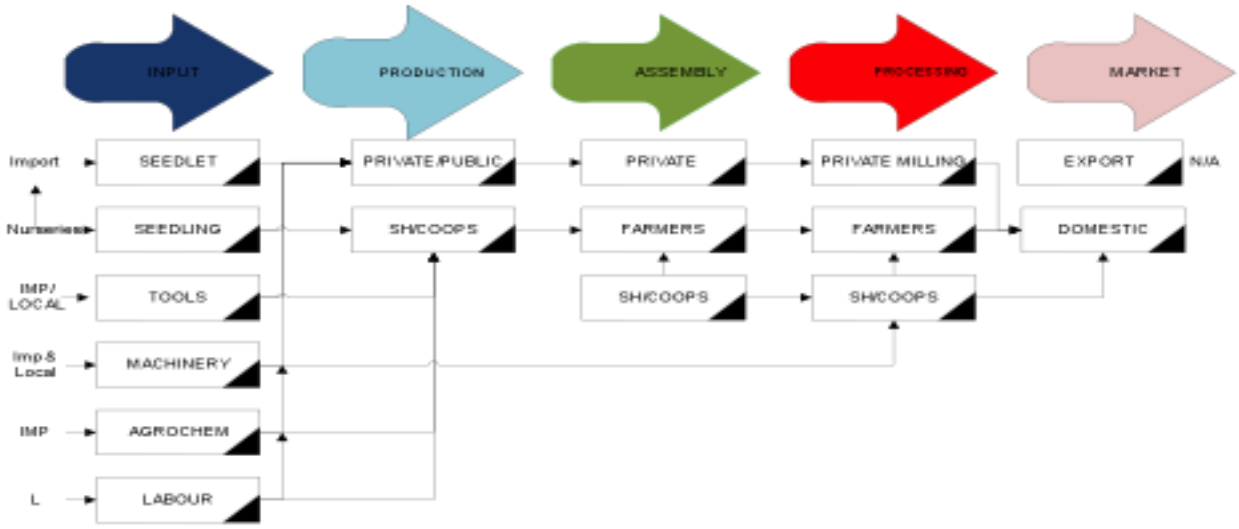
Table 22: Price Build-up and Profitability of the Palm-oil Value Chain

Variables	Farm-Gate Product		Assembled Raw material		Processed Raw Material		Traded Commodity	
	SL Le	US$	SL Le	US$	SL Le	US$	SL Le	US$
Gross Revenue	247	56.78	325	74.71	817	187.77	1,232	283.22
Production Cost								
Crop Purchase			247	56.78	325	74.71	817	187.77
Other Variable Costs	102	23.33	30	6.90	320	73.56	50	11.49
Investment Costs	66	15.13	-	-			-	-
Total Costs	168	38.47	277	63.68	645	148.28	867	199.27
Final Income								
Gross Margin	146	33.45	48	11.03	172	39.40	365	83.95
Net Profit	80	18.31	48	11.03	172	39.50	365	83.95
Rate of Return								
Gross margin/TVC	1.43		0.17		0.27		0.42	
Net Profit/TC	0.48		0.17		0.27		0.42	
Price Build-up (%)	19.38		12.57		42.44		25.61	
Profitability (%)	20.01		6.37		39.94		33.68	

Source: Data from Current Agricultural Value Chain Study (2013).

413. In order to make the palm oil value-chain more efficient and competitive, measures should be taken to reduce costs at the processing and logistics stages through the introduction of small-scale, appropriate processing technologies (along with training), as well as introduction of improved high yielding varieties and sound farm management practices at the farm-level. As shown in Figure 31, the value chain for palm oil in Sierra Leone comprises producers, processors, village collectors, local traders, wholesalers, retailers and some informal exporters. In addition there are importers of cheaper Malaysian palm oil who also mix imported with local red oil.

Figure 30: The Oil Palm Value Chain



414. Currently, smallholder farmers are actively involved in the production and processing stages in the chain and are, to a larger extent, the main source of the palm oil consumed in the domestic market. The large private sector plantations are at different stages of their development and are hardly able to make any significant impact on both the domestic and the export markets of CPO and refined palm oils. Most of the inputs are imported because Sierra Leone has no palm seed breeding program, nor an oil palm research center, high quality pre-germinated oil palm seeds are imported from sub-regional countries (Benin, Ghana and Cote d'Ivoire) usually through donor supported projects. Fertilizers are in limited supply, and mostly imported by the government through donor supported projects. Except for very few hand tools produced locally by blacksmiths, most tools used for in the cultivation of oil palm are also imported.

Enabling Environment

415. There is a real possibility to upgrade the production capacity oil palm, mainly because of the ever-increasing price on the international market. The palm oil market in Sierra Leone is competitive in the sense that it has many buyers and sellers at all levels. However, there are no recognized standards or national regulations that apply specifically to palm oil quality. This void in the regulatory environment leads to a "consumer beware" code of conduct and is a limitation to improving the quality of the palm oil industry.

Inter-Firm Cooperation—Vertical & Horizontal Linkages

416. The palm oil value chain displays a fair degree of integration and linkages in comparison to other chains. From producer to consumer there is a measure of power balance in the relationships, which even allows access to revenue. While the use of the batta allows a standard measurement of quantity when the product passes from one level to another, ensuring quality remains an issue. In spite of a fairly open value chain and trust-based relationships between producers and first line buyers (local market buyers), there is a decreasing amount of trust among functional levels, related to the purity of the oil, as the product gets traded downstream. Packaging logistics are necessary to ensure that the contents of a batta are not tampered with as they are traded down the value chain, and that they meet the desired grade and texture

demanded by the end-consumer. A forward-looking project would initiate a palm oil grading system that assures knowledge and compliance at all levels of the value chain.

417. During the study, considerable amount of horizontal cooperation was observed particularly at the production level. There are cooperative groups of farmers/firms that share labor, tools and processing equipment, as well as information on better deals with transporters. When production in one area is low, associations come to the assistance of their members. Through these informal and formal ties, producers lower their transaction costs by combining production. There appears to be limited public sector involvement in the palm oil value-chain, which may provide a level playing field for the emerging industry. However, Government needs to play its role in ensuring an enabling policy and regulatory framework, including investment in public sector goods such as research and development of higher yielding varieties.

418. Horizontal cooperation in the palm oil sub-sector can be expanded to facilitate plantation replacement and rehabilitation through the ABC/FBO schemes. Producers are generally small (farms average around seven acres), which makes the idea of taking a substantial number of their trees down and replanting almost impossible, if viewed on a single-firm basis. However, an association can upgrade plantations one farmer at a time. This will provide the required labor and will also make possible a guarantee for the income lost by the farm operator who is replanting his/her trees. This operator could be guaranteed some of the trees of the other farmers during the replanting and re-growth process. By organizing as a group, the oil palm producers could, in a short matter of years, upgrade the planting of the whole group, increasing production and income generated from their orchards.

IV. Trade Competitiveness and Potential Outlook for Domestic, Regional and Global Markets

419. The value chain is rather short for the selected commodities covered in this study. Processing, which is the main activity for the product transformation (value-addition) stage, is either done traditionally and/or using some relatively small and mostly inefficient processing technologies.

420. The analysis of competitiveness in Table 23 indicates that Sierra Leone may have a competitive edge in the production and exportation of cassava and cocoa, particularly to countries in the sub-region. Palm-oil and rice have shipment values which are higher than export parity prices, and therefore these commodities may not be competitive for export. Palm oil is potentially an export crop if moved from small traditional production and processing. The favorable potential trade competitiveness for cassava and cocoa is largely a result of low investment/fixed costs incurred by small-scale farmers and appreciable increase in yields since 2006.

Table 23: Comparative Advantage of Some Major Crops in Sierra Leone

Commodity	Net Financial Returns		Cost Composition		Parity Prices	
	('000Le/ha)	(Le/person day)	DVA	SV	Import Parity	Export Parity
Rice	2,160	6,822	1,092.25	1,316.24	438.61	562
Cassava	1,386	18,497	449.27	434.10	-	680
Cocoa	1,788	8,286	794.68	1,543.25	-	2,347
Palm-oil	1,482	8,241	1,207.54	1,243.37	-	768

Source: Data from Current Agricultural Value Chain Study (2013); DVA – Domestic Value Added; SV – Shipment Value

421. Rising food prices have important macroeconomic impacts on many African countries as more and more food is being imported from the global market, leading to worsening balances of trade with severe consequences for poor consumers in Africa, whose share of budget spent on food is often higher. Meanwhile, the continent does have the means and opportunities to deliver improved food security to its citizens through increased yields and market outlets, thereby creating new income opportunities for farmers and reducing the continents dependence on imports from the rest of the world.

422. For this to happen, however, farmers need to be better linked to commodity value-chains. The nearest source of demand outside the local market is across the border within neighboring countries, sub-region or regional level. Yet fragmented regional markets and lack of predictable trade policies deter much needed private investments – including small investments by poor farmers in raising productivity to large investments in input supply, seed multiplication, and food marketing[70].

423. Sierra Leone is seeking to increase its exports of agricultural commodities including rice, cassava, cocoa, and palm-oil to regional and international markets. In order to achieve this, the selected commodities have to be competitive vis-à-vis trading destinations within the sub-region. Table 24 compares the competitiveness of some export crops from Sierra Leone with that of countries in the sub-region using the international parity prices as the benchmark.

Table 24: Comparison of shipment values at farm level for selected crops in Sierra Leone and Parity Prices (US$/ton)

Commodity	Sierra Leone (US$/Mt)	Sub-Regional Prices (US$/Mt)					World Market Prices (US$/Mt)
		Liberia	Guinea	Ghana	Nigeria	Côte d'Ivoire	
Rice	1,316	1,074	2,222	450	1,098	1,096	608
Cassava	434	431	298	310	390	289	680
Cocoa	1,543	3,003	2,210	2,280	3,661	3,100	2,188
Palm-oil	1,243	638	756	1,052	1,080	1,900	720

Source: FAO Monthly Price Update of Agricultural Commodities, 2012; FAO World Market Price Update, 2013

424. A country is likely to have a competitive edge in a commodity if its total production and trading costs (estimated through the shipment value) is lower than the corresponding parity prices in the countries against which it trades. When compared with other countries in the sub-

[70] Keyser, 2013

region and world market prices, Sierra Leone's cocoa and cassava appear competitive. Although the shipment value for Sierra Leone's cassava appears to be higher than its neighbors, the quality of the finished product – gari – is quite high and therefore appreciated in the market. This implies that Sierra Leone can develop these commodities and effectively market them in the sub-region as well as develop its competitive position at the international market (although this may take time). Rice and palm oil are not competitive at export parity, but Sierra Leone can explore strategies to improve their production as an import-substitution measure, given that both commodities constitute a significant proportion of the country's import bill.

V. Impact of the Expanding Mining Sector on Agriculture

425. Spillovers from mining development in Sierra Leone could create demand for local agricultural products and related services. Electricity access can be expanded to farms built around investments in the mining sector, which currently, for the most part, is self-generated at high costs resulting from widespread power shortages. The mining sector has great potential to play an important role as a power producer to the agribusiness sector, if the technical and institutional framework to purchase power from mining companies is established. The expanding mining sector can also create negative externalities, which need to be managed appropriately. Mines can generate air, water, and land pollution that affect agricultural productivity. The development of remote mining sites, often in agricultural areas, can open up land for other development, leading to loss of production.

426. The economic impact of extractive industries is usually thought in terms of "Dutch disease": a boon of natural resources may change relative prices and crowd out industries with more growth potential. However, a debate on other crowding out mechanisms such as environmental degradation and loss of agricultural output is lacking. While mineral expansion and possible hydrocarbon development has the potential to transform the economy of Sierra Leone, questions remain about the true costs of exploiting these deposits, and a potential disconnect between the direct beneficiaries (governments and companies) and those who are impacted from negative externalities (local farming populations). Costs related to negative externalities may accrue from extraction directly in the form of pollution, social displacement, and loss of agricultural productivity and livelihoods, on the other hand, positive externalities are likely to emerge through regional multiplier effects, agglomeration economies, backward linkages with agriculture and the use of mining as a catalyst for service and infrastructure provision.

427. A recent study[71] which examines empirically the effect of mining on agricultural output and productivity in Ghana found that, between 1998/99 and 2005, productivity decreased by almost 40 percent in areas closer to mines, relative to areas farther away. The reduction in productivity is paralleled by a similar decline in agricultural output. The negative effects extend to the area within 20 km from mines, decline with distance, and are mostly present around polluting mines. The study also found a reduction in yields of cacao and maize, the two main crops in southwest Ghana.

[71] Aragon and Rud, (2012)

428. Mining could also be crowding out agriculture through other channels such as competition for key inputs used in the agriculture sector by competing with farmers for scarce local inputs, such as unskilled labor. Similarly, the mine's demand for local goods and services may increase price of non-tradables (such as housing), consequently driving up farmers' production costs. The same study goes on to find that in Ghana, rural poverty in mining areas increased by almost 18 percent, not only among agricultural producers, but extending to other residents in rural areas. In depth analysis, outside the scope of the DTIS update is required to estimate such costs in Sierra Leone's mining areas.

429. The above highlights the importance of considering the potential loss of agricultural productivity and rural income, as part of the social costs of extractive industries. This dimension of the impact of mining has been absent in the policy debate in Sierra Leone, thus requires further examination by policymakers and donors alike. This omission may result in overestimating the contribution of extractive industries to local economies and lead to inadequate compensation and mitigation policies. In the case of Ghana, the above-mentioned study estimated that in 2005 the annual loss to affected households amounted to US$ 150 million, while the contribution of mining to the Ghanaian government's revenue was less than half this amount.

430. Consequently, there is a need for a comprehensive analytical study to be carried out in order to understand the full extent of such positive spillovers and negative externalities that the mining sector creates on agricultural productivity, input prices, and to determine if the overall costs outweigh the benefits from mineral revenue for the country. There is a vast and expanding literature on the impact of mining, which typically examines macroeconomic linkages through which mineral dependence induces adverse economy-wide outcomes such as lower growth, or institutional decay (Dutch Disease). However, there is a lack of analysis of regional, local, and microeconomic consequences of mineral development, despite the potential spillover effects of mining—both positive and negative. Such a study should assist the GoSL in planning and developing policies and interventions to harness positive spillovers and better mitigate and offset negative externalities that the mining sector can create as it expands over the next years.

VI. Recommendations

431. In order for Sierra Leone to realize its full export potential in key commodities and others not covered by this study, a number of actions are proposed. At the operational level, the following should be considered:

- Produce high quality cocoa and coffee products for certification and export
- Increase the number of large scale private investments that add significant value
- Diversify the export base by transforming oil palm, rubber, cashew, sugar cane, cassava and ginger into export crops by maintaining the production area and attracting new private investors to establish commercial processing plants by 2017
- Expand value-added processing in oil palm, as 3 new oil palm investments will begin output in 2013-14 and an additional 2 investments in oil palm is targeted by 2017, whilst 2 large-scale investments in rubber are in the pipeline and an additional investment in rubber is targeted by 2017. Processing of cashew for export needs to be intensified

- In the long term, establish agricultural growth corridors, which can enhance public-private partnerships to stimulate investments in regional value chains. This is crucial in overcoming infrastructural constraints and improving financing facilities.

At the policy level, the government should continue pursuing the following measures more vigorously:

- Implement the Sierra Leone Export Strategy by focusing on crop quality management and certification
- Engage as an active member in global and regional crop roundtables to raise the country's profile as a serious industry player, and to gain access to market knowledge, funds, training and certification support
- Push further to gain fair trade and rain forest alliance certification for a proportion of its cocoa and coffee products.

432. There is also a need to explore regional trade agreements, given the low levels of coordination in trade policies among the countries in the sub-region. As a result there is often confusion over procedures and requirements to move commodities across countries, including the many tariff and non-tariff barriers experienced at border crossings, which increase the cost of trading. Individual countries commitment to free-trade is also limited because of the persistent imposition of seasonal bans on cross-border trade of certain commodities, particularly staples – mostly when domestic stocks decline thereby putting an upward pressure on consumer prices.

433. In summary, Sierra Leone has competitive advantage to produce rice and palm oil for import substitution. At the current productivity levels and cost structure, the country may not be able to compete in the export market. This is because of the high costs at the production stage mainly due to very low yield levels. Moreover, rice production is dominated by smallholders, most of which use traditional production methods. In order to improve rice production and reduce the country's dependence on rice imports, there is need for the use of improved certified varieties of seeds, fertilizers, improve access to agricultural credit for input financing and the establishment of milling standards required to improve the quality of domestic milled rice.

434. Among the commodities included in the study, cassava gari is the most competitive and should be promoted in order to consolidate the country's competitive advantage in the region. Production of cassava and processing it into gari is highly profitable to both farmers, traders and processors, and the overall production cost is lower mainly due to limited application of inorganic inputs. Gari is also enjoying significant demand in the countries in the sub-region, and Sierra Leone has favorable production conditions. There is however need to improve productivity through introduction of improved, high yielding varieties and intensification of farmers' field schools is an important measure to increase output and net-income returns at the farm-gate. Efficiency gains at the processing level are also important and may be achieved through introduction of small-scale, efficient cassava processing technologies, facilitation of large scale production and processing including other by-products such as animal feed, glue and starch for adhesives.

435. Sierra Leone has the potential to improve its cocoa sub-sector, particularly focusing on the organic cocoa in order to take advantage of the emerging market niche and compete favorably with the bigger producers such as Ghana, Côte d'Ivoire and Cameroun. However, there is need to reduce production inefficiencies at the farm-gate, raise productivity through promoting good agronomic practices as well as rehabilitation of aged plantations with high yielding planting materials. Furthermore, the assembly functions such as sorting and local transportation of the commodity are undertaken less efficiently. The analysis suggests that high cost at the farm-gate is a major constraint to the productivity of the cocoa value-chain. In order to improve competitiveness, there is need to reduce production costs through the rehabilitation of the aged cocoa plantations through the introduction of high yielding and disease resistant varieties, good agronomic practices and re-introduction of grading and standardization to encourage farmers to produce high grade cocoa with the incentive to fetch higher prices. Improving road networks and reducing transportation costs would also contribute to enhancing competitiveness. The Sierra Leone cocoa industry has potential to significantly increase productivity and efficiency in the short and medium term and its competitiveness, especially in the high value specialty organic cocoa market channels in the medium term.

436. Sierra Leone's trade prospects in palm oil are affected by the high costs incurred at the processing and logistics/trading stages. This is largely due to the cumbersome and inefficient traditional processing methods coupled with transportation of the bulky semi-processed products. Specific cost elements at the processing stage include packaging and consumables, and energy, vehicle operations and maintenance. At the assembly stage, key cost centers are vehicle costs, depreciation and overheads, and crop levies and fees. In order to make the palm oil value-chain more efficient and the commodity more competitive, measures should be taken to reduce costs at the processing and logistics stages through the introduction of small-scale, appropriate processing technologies (along with training), improvement in road networks linking farm to markets as well as introduction of improved high yielding varieties and sound farm management practices at the farm-level.

Chapter 6: Building Effective Marine Management and Protection Systems for a Competitive Fisheries Sector

I. Introduction

437. The specific objectives of this chapter are to present the GoSL with a summary of the development in the fishery sector since the last DTIS (2006) and recommendations for updates of the 2006 Action Matrix, which will include the policy and intervention recommendations developed together with the government and stakeholders. This will include:

- A description of the current situation including data and institutional structures, and a summary of the important legal and regulatory framework;
- An update and review of developments, reforms and interventions in the fishing sector since the DTIS in 2006 (including the progress on the implementation of the Action Matrix items on fisheries in Chapter I), and if possible what is known about their impact and reasons in case of limited progress;
- A proposed revision to the country's vision and strategy for the sector (if appropriate) after consultations with the relevant government entities and key stakeholder;
- Recommendations for policy reforms and other interventions necessary in the sector – long and short-term - with emphasis on priorities and sequencing, for example, the identification of regulatory reform needed to make a specific infrastructure investment worthwhile.

II. Current Situation of Sierra Leone's Fisheries Sector

438. The fisheries sector of Sierra Leone is underpinned by a diverse and valuable array of fish stocks in the marine and inland environments, which are exploited mainly through fishing and a limited number of aquaculture systems. The potential total economic capital value of the marine fish stocks is estimated at $US735 million, capable of producing an annual economic return of US$60 million (the situation in the inland fisheries, and aquaculture, have yet to be determined, but could also be highly productive and valuable).

439. The current total annual fisheries production is about 150,000 tons. The artisanal fisheries sub-sector, characterized by small-scale, inshore, low technology operations, accounts for the bulk of this catch (120,000 t, valued [first sale] at US $100 million per year). The industrial fisheries sub-sector catches an estimated 24,000 t (valued at US $25 million per year). Both inland fisheries and aquaculture production are relatively small in comparison, but probably important at a local level in certain places.

440. The fisheries sector produces a wide range of benefits – employment and a source of livelihoods for a large number of people (over 500,000) mainly in coastal communities (the industrial sector is small by comparison), fish is also the most important source of animal

protein for the majority of the population. However, despite the economic value of the sector – capable of generating over US$ 60 million in economic benefits per year (above) – it is estimated that only a small percentage of this value is realized (for example, annual fish exports are valued at US$ 2.5 million; and total license fees amount to US $2.5 million per year).

2.1 Policy, Legal and Institutional Arrangements and Processes

441. A new 'Policy and Operational Framework for the Fisheries of Sierra Leone, Ministry of Fisheries and Marine Resources (MFMR) (March 2010)' superseded the earlier Fishery Policy of Sierra Leone (2003). This new policy is considered to be more in line with international best practice in fisheries policy and the main objective is to achieve '*ecologically* sustainable *and economically efficient fisheries in Sierra Leone*' (GOSL, 2010, p.11). Earlier policy adopted a conventional productionist and technology-driven approach to fisheries development, with a high risk of both economic and biological overexploitation of the major fish stocks, which has also been the case in many other countries and fisheries worldwide.

442. However, further developments in the necessary reform of the supporting legal framework, are required in order to support and implement the new policy. A Draft Fisheries and Aquaculture Bill (2011) is currently under review before seeking approval for enactment from Parliament. In parallel, it will be necessary to design, establish and operationalize appropriate fisheries management systems in both inshore and offshore areas using best-practice approaches. The focus will be to provide the right incentives and enabling conditions for fishers and stakeholders to maximize the benefits from fisheries (wealth, employment, income, food etc.) on a sustainable basis. This will involve determining the potential annual total allowable catch (TAC) and allocating fishing rights to stakeholders within each fishery. Overall, these management arrangements will be set within a fisheries planning framework which promotes a co-management approach, and sets out the roles and responsibilities, between the public and private sectors (at all scales of operation).

443. The operationalization of this new fisheries management-planning approach will take time – each fishery must be dealt with in turn, although it is expected that a number of fisheries management plans can be developed at the same time. The prioritization of these actions and the choice of fisheries will have to be decided by the stakeholders as part of the overall process of fisheries development. It will be necessary to ensure that fisheries management interventions and other interventions (e.g. infrastructure development and product/market development) within the same fisheries are planned together and sequenced as appropriate in order to achieve the desired objectives and outcomes. This will require the co-management process to be underpinned by an adequate level of institutional capacity, with relevant structures and processes (organization development, decision-making, information sharing and analysis, stakeholder co-ordination, creation of incentive and sanction mechanisms etc.).

444. Other laws, decrees and acts also impact the sector including for example the Local Government Act (2004) which allows local government to issue fishing access licenses in inshore areas and to collect fee revenue.

445. In the public sector, the Ministry of Fisheries and Marine Resources (MFMR) has overall responsibility for the sector. Decision-support comes mainly from university-based research organizations (e.g. IMBO) and from international (donor supported) projects. The private sector

consists of a small domestic industrial sector (<10 companies) and a very large artisanal sector (over 500,000 persons with two main representative organizations, SLAFU, SLAAFU). The Third sector is small with few active NGOs in fisheries. Furthermore, there is significant foreign involvement, with fishing operators (from Asia and Europe mainly) granted licenses to fish through system of national agents, although a significant quantity (and value) of the catch taken is trans-shipped at sea, and is not landed or processed onshore in Sierra Leone (statistics on this are limited).

2.2 Key Issues

446. The current issues affecting the fisheries sector in Sierra Leone are considered on the basis of a Strength-Weakness-Opportunity-Threat (SWOT) analysis, undertaken collaboratively by the study team.

Table 25: Fisheries in Sierra Leone SWOT Analysis

Strengths	Weaknesses
1. Abundant and diverse fisheries and aquatic resources; 2. Workforce skilled in traditional practices; 3. Strong local and international market for fish, and livelihood opportunities; 4. Support for investment in sector (private, donors); 5. Long-established fisheries administration and research; 6. New fisheries policy and high profile in PRSP; 7. Initiatives to improve governance	1. Some fish stocks threatened by high fishing pressure; 2. Conflict between sub-sectors and at maritime boundary with Guinea; 3. Lack landing site infrastructure; 4. Low level of organization and business skills; no access to EU markets for fish trade; 5. Policy & fisheries management are opaque; stakeholder buy-in limited; 6. MFMR is under-resourced to perform its role effectively; 7. Foreign IUU and illegal exports;
Opportunities	**Threats**
1. Some fish stocks are underexploited; 2. Possibility of enhancing existing fishing activities through effective management, technology transfer and onshore processing; 3. Expansion of inland fisheries and aquaculture for improved food security and employment of rural poor and wealth; 4. Access to EU markets and fish trade; 5. Government and donor support for sector development; willingness of stakeholders and CBOs; 6. Role of artisanal fisheries in rural economy;	1. Overexploitation if fisheries expansion overrides fisheries management system development, including MCS; 2. Fisheries policy not aligned with PRSP; fisheries management not prioritized; inadequate funding for MFMR is not addressed; 3. Change in policy/ management may adversely affect employment and food security for the population of Sierra Leone; 4. Uncertainty/risks of investment; 5. Infrastructure is underdeveloped (electricity, water); 6. Lack of donor coordination;

447. Many of the issues identified in this analysis are also typical of fisheries elsewhere in the world. Most notably, the opportunities for development, represented especially by the valuable and probably underexploited fish resources, are constrained by weaknesses in the policy and fisheries management framework which, unless addressed in the near future, will inevitably lead to overexploitation and continued theft of fisheries wealth through IUU fishing. Further key opportunities are seen to include the strong potential for participation in the policy process of a skilled and committed workforce (industrial and small-scale) driven by tangible incentives based

on sustainability and improving market access – particularly to the EU and other international markets. Regional perspectives, specifically for Sierra Leone, are positive with a range of emerging major donor initiatives on fisheries management and protection, combined with regional trade opportunities.

448. Other than the central issue of weak policy and management noted above, further constraints are associated with the wider governance context. These include: a pressing lack of infrastructure; limited institutional capacity impeding private investment, enterprise development, economic development and the generation and sharing of benefits (economic rents, employment, food and livelihood support). Several governance enhancing initiatives are already underway in Sierra Leone. To conclude, the fisheries of Sierra Leone currently offers a unique, post-conflict opportunity to build upon several overwhelming strengths and opportunities identified, but this will be dependent also upon addressing some major constraints (above) in a coordinated and sequenced manner, drawing lessons from international best practice in fisheries development in this regards.

III. Developments in the Fisheries Sector Since 2006

449. In this section will provide an update and review of developments, reforms and interventions in the fishing sector since the DTIS in 2006, along with an assessment of what is known about their impact and reasons in case of limited progress. The developments and interventions since 2006 show that through a range of projects some of the important opportunities and challenges faced by the fisheries sector in Sierra Leone have been addressed with varying degrees of success. A number of important projects are currently in operation.

3.1 Fisheries Sector Projects

450. ***Artisanal Fisheries Development Project for Official Quality Control in the Artisanal Fisheries Sector:*** The lack of post-harvest infrastructural facilities that should enable product preservation means that postponement of fish commodity sales to allow for price bargaining that reflects the true scarcity of fisheries resources is severely undermined. This is so because products must be sold before losing to putrefaction with the real risk of complete rent loss[72]. Two consequences could be immediately discerned. Firstly, selling the commodity well below prices that portrays its scarcity may result into overexploitation due to disproportionately little rent accruing in relation to the volume of commodity presented on the market. Secondly, low income derived reinforces poverty to ignite the vicious cycle of resource dependence – overexploitation/degradation - poverty. It is against this background that between 2003 -2010, the African Development Bank and the GoSL conceived and implemented the Artisanal Fisheries Development Project (AFDEP) aimed at addressing the most urgent needs of the country such as: increasing fish supply and consumption to meet the animal protein requirements of the population and re-establish fishing and related activities to enable people engage in income generating activities following the end of the 11 year civil war.

[72] It could be argued that complete loss is an exaggeration as unsold products are used for domestic consumption. But losses are incurred if product meant for generating income is lost to putrefaction or sold at low prices due to lack of receiving and preservation facilities.

451. The sector goal and project objective were to increase household food security and income through exploitation and utilization of fisheries resources in a sustainable and environmentally friendly manner. Specifically, (important for the purpose of this study) the Artisanal Fisheries Development component of the project provided basic fisheries infrastructure at 4 fish receiving sites, equipped with modern fishing related equipment and machinery such as ice plants, cold rooms, potable water supply etc. aimed at improving fishing, handling and processing techniques as well as quality assurance. Other components included Credit, Institutional Capacity Building and Strengthening the Rational Management of Fisheries Resources components (see PCR, 2010)[73]. The facilities which service the post-harvest segment of the fish value chain comprises of a landing jetty, slip-way, boat repair unit, engine repair unit, fish receiving bowl, fish processing stand, fish smoking unit, fuel depot, fresh water supply source, power generation unit, ice making plant, chill room, ice boxes, locker rooms and an administrative unit. Together, these units of the facilities link-up to ensure that fish product presented on the market complies with the FAO Codex Alimentarius and its Hazard Analysis Critical Control Point (HACCP) System. HACCP is a system which identifies, evaluates, and controls hazards which are significant for food safety. But these facilities are not yet operational and their operationalization is a subject of flagship project under Pillar 1 of the Agenda for Prosperity and thus part of the Action Matrix for DTIS 2013.

452. ***Institutional Support and Fisheries Management Project for Fisheries Resource Assessment:*** The 3 million Euro EU supported project (2007-2011) aimed at enabling the Sierra Leone Ministry of Fisheries and Marine Resources (MFMR) to establish a realistic picture of the status of fisheries resources, thus contributing to the development of fisheries management measures in line with an approved strategic fisheries policy statement. Six research cruises were undertaken over 3 years (2/year) but the vessel used could not trawl in depths less than 15m. Thus, the stock of shrimp and coastal pelagics that makes up for the bulk of the landings such as *Sardinella species* and *Ethmalosa fimbriata* were not assessed thereby grossly underestimating the abundance of these resources. Consequently, the WARFP included resource assessment to make up for the shortcoming. The rationale for resource assessment is that overfished stocks will not support trade in fish and fish products in a sustainable manner. Therefore, the maintenance of healthy stock is a pre-requisite to sustainable trade in fisheries. To this end, an appropriate fisheries management system, based on sustainable catch quotas enforced by a robust MCS system that also stems and curbs IUU fishing must be instituted. It is critical to get the balance between fisheries management (exploitation) policy and trade policy correct as without effective regulation of fisheries exploitation, incentives to expand fish trade can simply exacerbate "the race to fish.

453. West African Regional Fisheries Programme in Sierra Leone for Resource Governance, Reduction of Illegal Fishing and Official Quality Control & Value Addition: The US$ 28million program (2011-2016) supported by the World Bank aims at strengthening the capacity of Sierra Leone to manage the nation's fisheries, reduce illegal fishing and increase local value added to fish products. Key project outputs on the governance front include;

[73] Project Completion Report (PCR): http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/_SIERRA_LEONE_-_PCR_-_Artisanal_Fisheries_Development_Project_(AFDEP).pdf (Last accessed 10/4/2012). The total amount disbursed at PC was ADF Loan: 8,996,878,000 Unit of Account (UA); GoSL 701,209.75 UA.

- Establish clear principles and policies to increase the wealth from fisheries through strengthened rights and equitable allocation of these rights which balances economic efficiency and social benefits;
- Register small-scale fishing vessels in targeted fisheries;
- Allocate fishing rights to communities;
- Reduce number of vessels in targeted fisheries that are overexploited

454. Small-scale fishing vessel registration program is underway and rights allocation studies to calculate TACs have recently commenced under the West African Pilot Project. The co-management principle is being adopted and MPAs have been declared in the Yawri Bay, Scarcies River, Sierra Leone River and the Sherbro River. These are expected to graduate in TURFs managed by Community management Associations of elected executives. MRAG won the bid to conduct further stock assessment as a follow-up to the ISFMP and negotiation are underway to commence the studies.

Reduction of Illegal Fishing Front:

- Increased number of total patrol days at sea per year in targeted fisheries;
- Functioning satellite-based fishing vessel monitoring system (VMS) in place

455. Illegal fishing gears are being replaced as an incentive for change. The JMC established by Cabinet decision in 2009 undertakes fisheries protection and maritime surveillance operations. The MFMR has put a VMS in place which monitors the position and activities of licensed vessels and detects unlicensed vessels at sea. Surveillance patrols are also conducted at fisheries outstations forward operations bases i.e. FOBs (in Moyamba, Port Loko, Kambia, Western Area, Bonthe and Pujehun Districts) by the navy and MFMR. Joint patrol between JMC and the African Maritime Law Enforcement Partnership (AMLEP) has resulted into a number of arrests serving as a disincentive to IUU operators.

Official Quality Control and Value-Addition Front:

- Pilot integrated fish landing site clusters established by the Program and operating
- A sanitary authority is accredited for certification of fish quality for consumer health and exports to the European Union.

456. Proposed harbor complex is to be constructed at the White Man's Bay to serve as a transshipment hub with cold storage, bonded stores for fish export, ice plants and vessel maintenance facilities. Fish landing clusters with cold storage facilities at the airport plus the construction of the 12km road between Lungi and Konakridee is an important component of the WARFP. The status so far is that the procurement process for the EIA studies for these value addition infrastructures has been initiated. There is a competent authority in the Ministry of Health at the ministry that is hotly contested by the MFMR but accreditation for certification of fish quality for consumer health and export to EU remains a challenge and forms an action point in the action matrix 2013. WARFP under component 3 of the operation manual for Fish product trade infrastructure, information and systems – Regional minimum integrated trade expansion platform (MITEP) – would invest US$ 5.5million.

457. ***Modernizing Sierra Leone's Fisheries Legal Framework for legal review for modernization:*** Supported by FAO-TCP, the 1994 Fisheries Management and Development Act

have been reviewed and modernized to reflect contemporary developments at the national and global levels. The product, i.e. the 2011 Fisheries and Aquaculture Bill is awaiting enactment by parliament. In relation to international trade issues the provisions of the Fisheries Product Regulations of 2007 were particularly reinforced in the Bill. It is however important to note the said Bill and other regulatory and policy frameworks are being updated to accommodate contemporary approaches.

458. West African Pilot Project (WAPP) in Sierra Leone for Legal and Policy Reform: A pre-condition for successful fisheries development in Sierra Leone will be the establishment and operation of an appropriate fisheries policy and legal framework, and the design and implementation of fisheries management systems. In order to provide long term policy advice for the management of Sierra Leone Fisheries in addition to making the fish receiving infrastructure operational and beneficial to both public and private sector of Sierra Leone, the Partnership for African Fisheries (PAF) of the NEPAD Planning and Coordinating Agency (NPCA) is supporting the Ministry of Fisheries and Marine Resources under a DFID grant of the West African Pilot Project (WAPP) within the framework of the West African Regional Fisheries Programme (WARFP). Working groups of experts have been established and authorized under this grant to provide technical backstopping for a long term policy support. Under this program, the following activities have been or are being undertaken:

- Prepare cabinet paper to align the Fisheries and Aquaculture sector to Agenda for Prosperity (2012)
- Review of the current status of the Fisheries Policy and Law in Sierra Leone and the identify future reform options (2012)
- Development of a five year strategic plan for the fisheries sector (2013 - underway)
- Review of the Namibian Right Based Fisheries Management (RBFM) Model, Quota System (QS) and Fishing Rights Allocation (FRA) Model to Provide Recommendations for Complementary RBM, QS and FRA Models for the Ministry of Fisheries and Marine Resources of Sierra Leone (2013- Underway)

459. ***The West African Quality Programme for Strengthening enterprise competiveness and ensure compliance with international trade rules and technical regulations:*** The project entitled; “Support for Competitiveness and Harmonization of the Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary (SPS) Measures in West Africa” (2007-2012) commonly called the West African Quality Programme, was a 8 million Euro sub-regional project supported by the European Union to strengthen enterprise competiveness and ensure compliance with international trade rules and technical regulations, particularly the World Trade Organization (WTO) agreements on TBT and SPS through the establishment and/or the strengthening of the national and regional infrastructure for the support in the areas of quality, standardization, metrology, conformity assessment and accreditation, complying with international standards. The technical areas and activities concluded include:

- *Metrology/Calibration*: Revamping of the National Metrology laboratory, provision of equipment, regional training in verification of weighing instruments and fuel dispensers and harmonization of metrology procedures held in Freetown in 2012, membership fees paid to international bodies and support metrology awareness raising, review country’s Weights and Measures Act.

- *Product Testing*: preparation of technical and quality manuals, training of technical and quality managers for the chemistry and microbiology laboratories at the SLSB, provision of equipment, chemicals, reagents, cultures for the testing laboratories, development of business plan.
- *Standardization*: Study tour organized for heads of National Standards bodies, organization of regional working group on standards, celebration of world standards day (WSD), subscription fees paid to ISO.
- *Quality Promotion*: Development of national quality policy, training of journalist in consumerism and quality matters, training of consumer association and Ministry of Trade staff, regional workshop on unleashing the export potential for Fishery Products
- *Enterprise Certification*: Support towards international certification for 3 enterprises i.e. Sierra Fisheries Company, G. Shankerdas & Sons, Bennimix Baby Food Company)

460. **Challenges:** Suitable building to accommodate laboratory equipment, duplication of functions/activities of MDAs and specifically the unhealthy competition for the competent authority. Product certification, standard development and accreditation. The fisheries products however remain unacceptable to the EU market.

461. ***Technical Capacity Building*** in ***Fishing and Seafood Processing Technology Project in Sierra:*** The US$1.47million project supported by the Russian Federation and implemented by UNIDO and MFMR has an expected outcome of an established Fishery and Marine Training Institute (FMTI) with training focusing on:

I. Institutional support provision to the fishery sector
II. Development of Labor skills required for the industrial fishing sector
III. Improving on artisanal fisheries towards commercialization

Training areas include: Deck Officer Training, Engine Officer Training, Fish Processing and Handling, Fishing Gear Technology, Refrigeration, Radio Communication, Safety at Sea.

462. Curriculum and financial management plan/personnel manual have been developed and the physical construction of the institute is underway although there has been an undue delay in the construction process. Trained fish handlers and processors would ensure quality control from point of capture throughout the post-harvest value chain and enhance the employability of youths to connect with Pillar 5: *Employment and Labor Strategy*. It is perhaps not surprising that "strengthening the fisheries training center" is a flagship project under Pillar 1 that should capture in the Action Matrix.

3.2 Assessment on the Impact of Policies and Interventions

463. The importance of establishing an appropriate policy and legal framework has been, and continues to be addressed by a number of projects described above. As in many other countries, the process of designing, agreeing and implementing a new framework is often complex and protracted, and it is likely that the groundwork already undertaken will see a new and finalized fisheries policy and law in 2013.

The need to appraise the status of Sierra Leone's fish resources was also prioritized through one key project [2]. However, although some important information was generated, further stock assessment will be need to be undertaken in the future under an on-going project, in order to enhance and update the fish stock information base [3].

Table 26: Sierra Leone Fisheries Sector – Developments and interventions since 2006

	Date	Title and focus	Institutions and funding	Status
(1)	**2003 - 2010**	Artisanal Fisheries Development Project (Focus: Official Quality Control in the Artisanal Fisheries Sector – Infrastructure)	African Development Bank and GoSL The total amount disbursed at PC was ADF Loan: 8,996,878,000 Unit of Account (UA); GoSL 701,209.75 UA	Project completed, overall evaluation rating: 3 [Good – mostly achieved despite a few shortcomings] Four fish receiving centers built along the coast (landings and post-harvest infrastructure) – not in use at present; some capacity building and research; and credit facilities;
(2)	**2007-2011**	Institutional Support and Fisheries Management Project (Focus: Fisheries Resource Assessment)	European Union Euro 3 million	Project completed. Improved knowledge and status of some stocks achieved, although studies of important inshore stocks (shrimp and small pelagics) were deficient;
(3)	**2011-2016**	West African Regional Fisheries Programme in Sierra Leone (Focus: Resource Governance, Reduction of Illegal Fishing and Official Quality Control & Value Addition)	World Bank US $28 million (loan)	Project on-going Key activities to date: Canoe registration scheme and co-management initiatives; MCS system established and operational; preparations for fishing harbor development;
(4)	**2009**	Modernizing Sierra Leone's Fisheries Legal Framework (Focus: legal review for modernization)	FAO-TCP US $600,000	Project completed Analysis and review of legal framework and production of a new draft Fisheries Bill (awaiting approval)
(5)	**2012-2014**	West African Pilot Project (WAPP) in Sierra Leone (Focus: Legal and Policy Reform)	NEPAD US $1.4 million	Project on-going: Analysis and review of legal framework; advice on drafting new Fisheries Bill; collaboration in developing fisheries management system; design of five year plan for fisheries development.
(6)	**2007-2012**	The West African Quality Programme (Focus: Strengthen enterprise competiveness and ensure compliance with international trade rules and technical regulations)	European Union Euro 8 million (sub-regional)	Project completed: Attempted to ensure product certification, standard development and accreditation. The fisheries products however remain unacceptable to the EU market.
(7)	**2012**	The Precon experiment	MFMR	On-going

		(Focus: Effect official controls)	US $600,000 (initial support)	To develop strategies to enable access to EU fish market
(8)	**2011 -**	Technical Capacity Building in Fishing and Seafood Processing Technology Project in Sierra Leone (Focus: Develop national human resource capacity within the fishery sector to effectively manage for optimum revenue generation and sustainability)	Russian Federation Implemented by UNIDO and MFMR US $1.47 million	On-going Curriculum development and planning underway; building construction underway; focus on fish product quality

464. The design and implementation of a new and appropriate system of fisheries management was commenced recently [4] and will be taken forward under a new ongoing project [5] in collaboration with the current major program within the sector, which is already starting to put key components in place such as MCS [3].

465. A major initiative [1] focused mainly on infrastructure development, leading to the building of four fish handling centers along the coast, which remain unused at present. The project implementation experienced some significant delays and took an extra two years to complete. The PCR indicates a range of contributory factors including – political interference, weaknesses in project management and supervision, and a lack of capacity and preparedness to implement a large and complex project, in both the public and private sectors. Infrastructure development will continue under a new initiative [3]. It should also be noted that this project also included capacity-building (for both public and private sectors), scientific research and capacity-building (relating to fish stock assessment) and the proposed development of a credit scheme for fishers. While there was some success in each of these areas, it is the more tangible infrastructure dimension which has been most prominent in the end.

466. A number of attempts have been made to gain access to the EU and other international markets by establishing a system of product certification, standard development and accreditation, and the operation of an effective competent authority [6,7]. However, this has not been achieved to date. There have been continued discussions over the role, location and support for the competent authority within government, which have contributed to the delay in setting up this crucial operation.

467. Overall, a number of important conclusions can be reached from this review of activities since 2006:

- Sierra Leone's fisheries sector has received comparatively limited investment and assistance to undertake fisheries development activities since 2006, and it is only in recent years that a number of major investments have been made;
- The importance of 'sequencing' investments for successful fisheries development is critical, and two of the most important to secure upfront are an appropriate and agreed fisheries policy – to set the goals and direction of development - and a supporting and enabling legal framework to guide implementation, backed up by adequate institutional capacity; it can be argued that until these elements are in place (to a minimum standard), then all other

investments are unlikely to be effective (high risk of failure); the adoption of a fisheries management planning approach can provide a further essential 'building block' to underpin successful fisheries development;

- Infrastructure development is critical for fisheries development, but requires appropriate institutional capacity to perform the demanding tasks of planning, financing and managing often large infrastructure projects, and must be undertaken with reference to fisheries policy and fisheries management planning;
- Getting the balance right between tangible investments (e.g. infrastructure for harbors etc.) and intangible investments (e.g. training for institutional capacity) is critical, and the precise needs and the allocation and sequencing of investments should be analyzed carefully as part of the overall planning process;
- Political support for investment in the sector and policy coherence with other sectors is critical; politicians and policy-makers should be made aware of the 'value' of the sector to the country (in terms of benefits e.g. contributions to the economy, incomes and food security), and the likely implications of both positive and negative actions (or inactions); a case in point seems to be the lack of progress in developing and operating the competent authority to allow access of fish exports to valuable international markets.

IV. Proposed Future Interventions

468. In this penultimate section, a number of proposals for the revision of the vision and strategy of the fisheries sector in Sierra Leone will be outlined, together with recommendations for policy reforms and other interventions, set within the wider global fishery economy. Within this context the opportunities and role for improved fish trade, both internationally and regionally will be considered.

469. While the detail of the proposed revision to the DTIS Action Plan is provided in Chapter I, a number of important aspects of this output of the stakeholder consultation and the follow-on analysis by the study team can be highlighted.

470. First, the proposed future strategy for fisheries sector takes account of the lessons derived from the analysis of the earlier DTIS Action Matrix and the review of sector interventions. For this reason the importance of establishing an appropriate governance and institutional framework is given high priority. This includes the design and implementation of an appropriate policy and supporting legal framework from the outset.

471. Second, the proposed future strategy also takes account and recognizes the importance of international best practice for fisheries development. In particular, the positive impact, which a change in approach can have on, the sector and the resulting benefits (e.g. economic, social, environmental) which can be produced on a sustainable basis. As in many countries, national fisheries policy in Sierra Leone has been dominated by a top-down approach, with central government attempting to direct and manage all aspects of the fisheries sector, with an emphasis on increased fish production, driven by the provision of increased levels of modern technology. However, throughout the world, this type of approach has tended to lead to both economic and overexploitation, largely because the associated fisheries management systems

(often based on input controls and gear regulation) failed to provide the right set of incentives to fishers, who tended to compete for fish catches (the so-called 'race to fish'). The new policy approach proposed for Sierra Leone will attempt to change the institutional arrangements, encourage government and fishers to work together in a co-management arrangement, provide fishers with a stronger stake in the fisheries through the allocation of fishing rights, and encourage fishers to operate on a sound economic footing, leading to the generation of fisheries wealth on a sustainable basis, while encouraging stock conservation.

472. Third, the conceptual framework used for the future proposed actions highlights the importance of demand-side and supply-side interventions, and reinforces the importance of understanding the roles of government and non-government sectors, and key factors of incentives and capacity. Under incentives – the importance of establishing a well-founded process to ensure that Sierra Leone's fish products are certified [1.2.] and conform to specific standards [1.3.] is critical. For many years, Sierra Leone has missed out on the opportunity of engaging with a large and growing seafood market in Europe and elsewhere. By addressing this constraint as soon as possible, the potential economic benefits which could be realized are thought to be significant. But in terms of sequencing, it is also vitally important that the development of an international export trade in fish from Sierra Leone should also go hand-in-hand with the development of appropriate fisheries management systems – otherwise the incentive to trade may lead to increased levels of overexploitation in an unregulated fishery. Under industry capacity – it is proposed to invest in infrastructure (and local enforcement) [2.1.] as a way of developing the business environment, to increase and better utilize relevant market-related information [2.2.] to facilitate trade, and to build needed capacity in the sector through technical and other support [2.3.]. Once again, the sequencing of interventions here is critical, and it is important to have the policy and legal framework for the sector in place, before undertaking a significant number of other interventions (ultimately, policy will identify what are the agreed goals, and laws will guide the implementation approach and mechanisms, through appropriate fisheries management systems and trade).

473. Fourth, as well as the international dimension to fisheries development in Sierra Leone, particularly in terms of gaining access to lucrative international seafood markets, there are also important regional dimensions. Within West Africa, there is a large market for fish products, particularly in populous countries such as Nigeria, and Sierra Leone could also gain benefit through a greater engagement in regional trade, which needs to be fully investigated [3.1]. This could include the supply of fish from both wild fisheries and aquaculture, through the entrepreneurial development of new fishery enterprises, and products.

474. Fifth, the proposed future revisions to the Action Matrix also take account of the expected global changes in the fishing industry from two perspectives – the international market for seafood in general is likely to continue to expand in both volume and value terms (Sierra Leone can capitalize on this market by exporting quality seafood) – the demand for access to fishing opportunities from both domestic and foreign fleets is also likely to continue to increase (Sierra Leone must take control of its own fish resources, within the Exclusive Economic Zone, through the establishment of effective fisheries management systems, and there is also the option of entering into fishing agreements with foreign fleets, and charging fee for access use rights, as part of an integrated fisheries management approach).

475. Sixth, the proposed future revisions also recognize both the opportunities and challenges for expanding fish as an export commodity from Sierra Leone, and also increasing value-addition. While the international market for seafood is large and growing, at the 'top end' (e.g. urban markets in Europe, USA and Japan) it is also highly competitive and increasing conscious of product origin and quality, driven by the demands and attitudes of increasingly knowledgeable and aware consumers. At the present time, Sierra Leone has a small domestic seafood industry and very limited capability or capacity to engage with the international seafood trade. While a start can certainly be made with primary, high quality products (e.g. fresh, chilled fish and shrimps), the expansion of this trade and the development of value-added products will require a complete upgrade and growth of the domestic seafood industry (involving new investment, facilities and skills). The proposed future revisions to the Action Plan aim to make a start in encouraging this transition and growth – by focusing on encouraging sustainable fisheries production (though improved management), through the development of the fish quality assurance process (certification and standards), and through focusing on infrastructure and technical capacity and training investments to enable business development.

476. Seventh, and finally, the fisheries sector has an important role in poverty reduction and food security in Sierra Leone, as it does in many West African countries. However, there is a growing understanding that the relationships involved require careful consideration when developing policy and fisheries development strategies. The new fisheries policy (2010) for Sierra Leone reflects this by recognizing that fisheries can form the basis of different benefit flows – fishers can benefit directly through participation in the sector (e.g. employment, income, food) – and fishers and all other members of society can also benefit indirectly through the contribution which an effective and dynamic sector (including both industrial and artisanal fleets) can make to the economy in general (e.g. generating economic wealth to be shared with and utilized by government for all citizens). In general, in many countries, fisheries policy has tended to focus on the 'direct' benefits stream and the amazing opportunities presented by the economic wealth of the fisheries have been neglected. The new fisheries policy (2010) recognizes that fisheries can make an important contribution to economic growth and development, and in turn address poverty reduction and food security. It is important that this new focus for fisheries development is also reflected in the national PRSP, which at the present time retains an emphasis derived from the old paradigm, where fisheries production (weight of fish) was the prime goal, rather than the new approach which focuses on 'fisheries wealth' and the contribution to the economy in general.

V. Conclusions and Recommendations

477. There are three major conclusions regarding the current review of the fisheries sector in Sierra Leone and the performance of interventions with reference to the Action Matrix (2006) as follows:

478. Sierra Leone has valuable fish resources (stocks), which have the potential to make a significant contribution to national economic growth and development – a major opportunity. The marine fish stocks are estimated to be worth over US $735 million (economic capital value) and capable of generating economic rent of over US $60 million per year under effective fisheries management and a well-functioning economy. Under appropriate management, the sector could realize a stream of benefits (economic, social and environmental) on a sustainable

basis, and in fact, grow the total value of these benefits over time, leading to such outcomes as increased GDP contributions, high levels of food security and robust and large fish stock levels. However, despite the potential opportunities (above), the fisheries sector faces a range of challenges and constraints including ineffective policy implementation, a weak legal framework, a lack of effective fisheries management and high levels of IUU, a generally weak institutional capacity, a small and under-developed seafood industry, a lack of basic and sector-specific infrastructure, lack of investments and minimal private sector incentives, and no access to some major international markets or trade. The end result is that the fisheries sector in Sierra Leone is not able to realize its full potential to contribute to national growth and development.

479. Recent development interventions aimed at addressing these issues (above), where fish trade is a central issue, have had only limited success as revealed by a review of the 2006 DTIS Action Matrix. Of the 12 objectives, the outcome was 1 (achieved: Improve fishery infrastructure), 6 (partially achieved: Establish preconditions for conclusion of fisheries agreements; Prepare for improved access to foreign fish markets. Complete EU access conditions List 1; Develop a private sector support program; Make MCS effective; Improve sector governance; Develop aquaculture) and 5 (not achieved: Develop a fisheries strategy in collaboration with the Strategic Partnership; Prepare for negotiation of fisheries agreements; Construct fishing port; Evaluate effectiveness of fishing agreements; Develop action plan for next 5 years). The overall impact on the fisheries sector in terms of ensuring flows of sustainable benefits has not been measured, but it is unlikely that any of the serious threats to the sector have been addressed. The limited success these interventions can be attributed to a range of factors: limited and uncoordinated investment, a weak policy and legal base, limited institutional and technical capacity and political factors.

It is recommended that:

480. With reference to the fisheries sector in Sierra Leone, the DTIS Action Matrix should be revised to take account of development interventions needed in three key areas:

(i) Supply-side interventions (to create incentives to encourage investment and development);

(ii) Demand-side interventions (to build capacity in the private sector at all levels to take up opportunities); and

(iii) Entrepreneurial interventions (to facilitate integrated approaches); these key areas were identified and elaborated during a recent stakeholder workshop.

481. ***Supply-side interventions*** should focus on three areas: Investment in infrastructure (and local enforcement) as a way of business environment development; Establishment of mechanisms in order to obtain clear and realistic information about the social and environmental market demands for trade facilitation; Build capacity in the sector through technical and other support; and build SPS capacity for expanding market access and enhancing production levels, food safety and public health.

482. ***Demand-side interventions*** should focus on three areas: the further development of policy, strategy, and a stewardship approach aligned to sustainable exploitation of fisheries

resources as elaborated by fisheries management plans; the development of an appropriate certification process for fish products for export as demanded by international standards; and the adoption of recognized standards for suppliers to ensure responsibility in their own practices and operations.

483. ***Entrepreneurial approaches*** should focus on developing alternative market for new products as a way of facilitating direct marketing, particularly at a regional level in West Africa, and also considering products from both fisheries and aquaculture.

484. Overall, it is recommended that careful analysis and planning should underpin the specification of future interventions in the fisheries sector in Sierra Leone. Particular attention should be given to the prioritization and sequencing of interventions – lessons so far in both Sierra Leone and elsewhere indicate that it is important to have an appropriate policy (setting general goals) and legal framework (enabling mechanisms) in place, followed by institutional capacity-building, before attempting any significant technical or infrastructure investments or implementation. Furthermore, with particular reference to seafood product development and international trade, while the potential rewards of engaging in these activities are potentially significant (given the large market), it is important to undertake an assessment of comparative advantage, and to ensure that trade and fisheries management policies and their implementation are coherent, to avoid undermining long-term sustainability of the resources or the industry.

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