

Key Trade and Development Policy
challenges in post-conflict countries:
the case of Liberia and Sierra Leone

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Introduction

- Conflict in the study countries
- Development frameworks in Liberia & Sierra Leone
- Trade and Development Policies pursued
- Policy challenges of post-conflict countries

Conflict Periods - Liberia

- 1989 to 1997 – elections
- 1997 – elections
- 2001 to 2003
- 2003 Comprehensive Peace Agreement signed in Accra

Sierra Leone

- 1991 – 2001 Civil conflict flowed spill over of Liberia conflict
- 1996 – Multiparty elections
- 1997 – Coup overthrew the government

Sierra Leone conflict

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Policy focus and Objectives

- Consolidation of peace
- Reconstruction as launch pads for lasting economic recovery
- Critical challenge is achieving a balance between maintenance and consolidation of peace and stimulating economic recovery
- This is because countries emerging from conflict face a high risk of falling back into conflict

Development Frameworks in the post crisis period

- Liberia
 - 150 day Plan (Inauguration to 2005/06)
 - IMF Staff Monitored Program
 - Interim Poverty reduction Strategy Paper (July 2006 – Jun 2008)
 - DTIS (2008)
 - PRSP (April 2008 – June 2011)

Development Frameworks in the post crisis period

- Sierra Leone
- Interim Poverty Reduction Strategy Paper 2001
- National Recovery Strategy in 2002
- Sierra Leone Vision 2025 published in 2003
- DTIS (2007)
- PRSP 1 (2005-2007)
- PRSP 2 – Agenda for change (2008-2012)

Development and Trade Policies

- Policies in 8 areas:
 - Macroeconomic stabilization policies
 - Economic growth and employment creation
 - Infrastructure development policies
 - Private sector development
 - Policies for productive sector development
 - Trade Policies
 - Policies on Banking and Finance
 - Policies on gender in post-conflict reconstruction

Key Trade and Development challenges

- **Weak government institutions, policy development and implementation capacity**
- **Supply side/productive capacity constraints**
- **Land and agriculture policies**
- **Mining Policies**
- **Trade Policies**
- **Production and quality concerns**
- **Unemployment and skilled labour shortages**
- **Private sector development policies**
- **Policy on Access to & cost of finance**
- **Policy on Infrastructure development**
- **Fiscal Policies**
- **Policies on Gender Development**

Weak policy development and implementation capacity

- Lack of or weak institutions – with inadequate capacity to design, implement and monitor policies; capacity development takes long
- Limited resources which limits incentives to staff – poor pay and work conditions
- Poor policy formulation, implementation – formulated policies go unimplemented
- Poor coordination between government institutions

Supply side/productive capacity constraints

- Low volumes of production
- Slow processes to create/establish productive capacity
- Slow uptake of technology
- Response to opportunities weak

Land & Agriculture Policies

- Ownership of land is a problem area especially for African LDCs
- Land related disputes abound
- Tends to affect agriculture production policies as well
- Liberia and Sierra Leone like others have dual land tenure systems

Land & Agriculture Policies

- Controlled by local authorities who sometimes do not recognise & thus exclude women from access
- Affect investment in agriculture and leaves countries facing severe food shortages
- Affect economic performance as shortage of food leads to imports
- Unattractive returns in agriculture force people off the land

Mining Policies

- A source of large scale investment & employment – economic growth
- Leads to the neglect of small scale artisanal mining
- Policy makers often choose between large and small
- Both Liberia and Sierra Leone are richly endowed with minerals and their policies highlight the impact of large investments and jobs created

Trade Policies

- Export development policies
 - Pick focus and orientation, understand markets
 - Be ready to compete on quality and price
 - Develop policies for trade related sectors

Liberia's exports – diamonds, iron ore, gold
rubber, oil palm, coffee, round logs

Sierra Leone – diamonds, bauxite, gold, fish and
shrimps, cocoa, coffee

Trade Policies

- Trade standards
- Policy and Legal reforms
- Regional, Bilateral and multilateral trade

Production and quality concerns

- Mainly agriculture and minerals
 - commodities with low processing and value addition
 - mainly produced by subsistence farmers
- Small manufacturing sectors
- Quality of agriculture and manufactured goods
- Commodity prices – highly variable

Unemployment & Skilled labour shortages

- Displaced population, unemployed and unproductive – skilled labour is very mobile
- Skilled labour key to productivity improvements
- Critical in public sector in policy formulation/implementation
- Acute during reconstruction – shortage often leads to higher costs

Unemployment & Skilled labour shortages

- Liberia distributed 40,000 tools and 20 tonnes of seed rice to 33,000 farmers in 2006 to increase food production
- In Sierra Leone the Interim PRSP sought to revive the economy with a focus on food security and job creation and growth and human development

Private sector development - SMEs

- Productive sectors are the source of tradable output
- Require a supply of investors and entrepreneurs to take
- Private sector requires a conducive environment
- Large numbers of informal sector operators who do not grow or graduate
- SME policies do not encourage graduation

Private sector development - SMEs

- Doing business rankings of both Liberia and Sierra Leone were low with improvements
- A number of initiatives were necessary to address the business environment issues
- Liberia established a Business Reform Committee, targeted growth of microfinance institutions and trained youth including the Grooming Liberia Future Entrepreneurs

Private sector development - SMEs

- Sierra Leone –private sector development strategy with diversification, employment creation (20,000 per annum), increasing incomes and agricultural incomes by 30%
- Highlights support to MSMEs to establish and operate alongside foreign investors
- NES to promote and support entrepreneurship, reduce cost & risk of doing business among others
- Developed SME Policy and Competition Policy

Policy on Access to & cost of finance

- Financial services needed for production and trade
- Can contribute to or undermine competitiveness
- Financial markets not well developed hence access to and cost of finance
 - Limited and fewer sources
 - Bank finance pricing factors in risk increasing cost in post-conflict
 - Requires creation of sources and improving environment to reduce the conflict risk premium


Policy on Infrastructure dev

- Very important in promotion of production, trade and economic development
- One of the main challenges areas in LDCs
 - Roads
 - Electricity
 - Water supply

Policy on Infrastructure dev

- Liberia planned to rebuild infrastructure in the 150 day Plan and Interim PRSP (2006-08) and appears in all plans
- In Sierra Leone infrastructure was given attention in the second PRSP (2008-2012). However, there is evidence this was given attention. The first PRSP (2005-2008) electricity supply to Freetown and improvement of 500 km of gravel roads

Fiscal policy

- Limited revenue sources and dependence on trade taxes e.g. Sierra Leone 2/3 of total govt revenue from taxes collected by customs; Liberia customs and excise tax contributed 47%
- Inadequate revenue  to fiscal deficit financed through borrowing – inflation, domestic currency depreciation & crowds out the private sector
- Decline in imports leads to decline in revenue and threatens public budget & reduces policy makers' freedom to use tariffs for influence production

Fiscal Policy

- Liberia and Sierra Leone are members of ECOWAS where free regional trade and a Common External Tariff is operational
- Liberia had an unsustainable public debt – a constraint in raising reconstruction funding and attracting investment
- Reformed the finance management system

Policies for Gender development

- Imbalances along gender lines are very common
- Post-conflict developments offer opportunities to change what is regarded as normal
- Three areas to deal with equality
 - Women focused activities – participation, property rights, rights to live and work free from violence,
 - Gender aware programming/mainstreaming – identification and addressing of issues that could obstruct peace – contribution and participation of women in policy formulation and implementation
 - Gender role transformation – enhancing equal opportunities

Policies for Gender development

- Liberia – significant women's participation - president and ministers
- 60% of girls abused during the civil war and violence against women and children
- Established a special police unit – Women and Children Protection Section in 2005
- A number of women's groups are active in civil society and were instrumental in peace initiatives – funded a delegation to find rebel leaders

Policies for Gender development

- Sierra Leone – highly patriarchal with institutionalised gender inequalities, discriminatory customs – marriage, property rights
- Gender based violence is very common
- Women under represented in politics
- Three laws enacted on gender and a National Gender Strategy is operational which seeks to entrench equality in legislation, participation, empowerment, distribution of resources etc.

Summary and Conclusion

- LDC countries emerging from conflict face immense trade and development challenges
- The challenges they face are not unique but their position is made worse by the labels
- Investors are reluctant and cautious to venture into these economies when they need this most – threats of conflict relapse
- Focus needs to be focused on areas with the highest development impact