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
  - DTIS (2008)
  - PRSP (April 2008 – June 2011)
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)
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
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
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
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.
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
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