

Trade Policy Review Body

TRADE POLICY REVIEW

SIERRA LEONE

Report by the Secretariat

This report, prepared for the first Trade Policy Review of Sierra Leone, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakech Agreement Establishing the World Trade Organization), sought clarification from Sierra Leone on its trade policies and practices.

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SUMMARY OBSERVATIONS

1. Since the end of civil unrest in 2002 and the return to a democratically elected Government, Sierra Leone, a least developed country (LDC), has pursued macroeconomic, structural, law, and trade reform. Sierra Leone's participation in sub-regional economic integration initiatives within the Economic Community of West African States (ECOWAS), together with actions for consolidating peace and resuming operations in the mining sector, a key activity in Sierra Leone's weakened economy, are among the most notable features of the post-conflict period. Competitiveness and governance problems persist but are receiving attention. Sierra Leone's economic outlook depends on the healthy performance of the dominant agriculture and mining sectors as well as the political and economic developments within the country and sub-region.

(1) ECONOMIC ENVIRONMENT

2. Since the end of the conflict, Sierra Leone's economy has shown vibrant growth. This is largely due to improvements in the security situation, growing confidence in the country, increasing diamond exports, rising aid inflows, and the progress achieved in resettling people displaced by the civil war. The inflation record has been erratic due to a rise in fuel prices (and their impact on transportation costs), a strong growth in import demand for reconstruction, an expansionary monetary policy, partly owing to delays in donor support, and the "pass-through" impact of the exchange-rate depreciation of the national currency on domestic prices. The size of the informal sector is significant.

3. Macroeconomic stabilization and structural reform have been pursued within the framework of a 2001 Interim National Poverty Reduction Strategy (IPRSP). The share of the population living below the poverty threshold seems to be falling and the share of health and education in total recurrent expenditure is up. In order to enhance governance, an Anti-

Corruption Commission (ACC) was established in 2001 and the United Nations Convention against Corruption was signed in 2003. Efforts to decentralize the Government and launch law reform have been undertaken. Since 2002, under the Heavily Indebted Poor Countries (HIPC) Initiative and the signing of debt-rescheduling accords, Sierra Leone's external debt (ratio to GDP), has dropped.

4. Sound fiscal policy lies at the core of Sierra Leone's economic reform efforts, particularly that directed to address deficiencies in the tax system. The fiscal deficit, due in large measure to the post-conflict rehabilitation programme and a weak domestic tax base, has followed a declining trend; the recurring deficits impair Sierra Leone's capacity to undertake growth- and development-related expenditures (including poverty alleviation, health, education, and infrastructure). The impact of implementing an ECOWAS Common External Tariff (CET) on fiscal revenue is being assessed.

5. The chronic deficit in the trade balance on goods and services has risen, mainly due to exchange-rate depreciation, increased import costs (petroleum products, rice), and a strong demand for manufactured goods for reconstruction activities. Since 2001, foreign exchange reserves have followed a rising trend. Between 1997 and 2003 the national currency – the leone – depreciated by 58% (in foreign currency terms) against the U.S. dollar.

6. Sierra Leone depends heavily on exports of diamonds and minerals and to a lesser extent on a few primary products (cocoa, coffee). In recent years re-exports have grown steadily due, inter alia, to relative stability in neighbouring Liberia. Imports are concentrated largely in hydrocarbons, food, machinery, and manufactured goods. The European Communities (EC) remains Sierra Leone's leading supplier and export market, followed by ECOWAS and Asian trading partners.

7. Foreign direct investment into Sierra Leone remains modest. To cope with a weak investment environment, in August 2004 Sierra Leone updated its legal framework governing investment (now covering all sectors); past fiscal incentives (including a lower payroll tax rate for ECOWAS citizens) remain in force pending the revision of the tax code. Work on the adoption of an export processing zone regime is under way. Although privatization is considered a key element in Sierra Leone's structural reform programme, the privatization programme, drawn up by the recently established National Commission for Privatization, does not specify any implementation dates.

(2) TRADE POLICY FRAMEWORK

8. Sierra Leone, a contracting party to the GATT, became a WTO Member on 23 July 1995. It grants at least MFN treatment to all its trading partners and benefits from the special and differential treatment provided for in the WTO Agreements. Political developments and priorities seem to have caused delays in implementing these Agreements.

9. Sierra Leone's trade policy is part of its more general strategy for poverty reduction and in line with its ECOWAS commitments. Since the launch of preparatory work for this Trade Policy Review, action has been taken for better policy coordination on trade and related matters through the establishment of an inter-institutional National Coordinating Committee on Trade (NCCT) (June 2004) and the reinforcement of the institutional capacity of the Ministry of Trade and Industry.

10. Sierra Leone's involvement in and commitment to sub-regional integration initiatives have been strengthened, particularly with respect to ECOWAS whose provisions seem to supersede those of the WTO Agreements in Sierra Leone; an attempt is being made to ensure the absence of inherent conflict between ECOWAS and WTO provisions. ECOWAS members have been gradually liberalizing intra-community trade,

and since 1 January 2004 they have granted preferential treatment on the products that were liberalized in the West African Economic and Monetary Union (WAEMU), whose members also participate in the ECOWAS integration scheme. Sierra Leone does not implement the ECOWAS Trade Liberalization Schedule (ETLS), mainly due to uncertainty regarding forgone customs revenue.

11. Sierra Leone is making considerable effort to benefit from the increasingly expanding non-reciprocal preferential trade arrangements that are made available by, or negotiated with, its developed trading partners. Sierra Leone benefits from duty-free and quota-free access to the EC market; it is also participating in the negotiations for the conclusion of an Economic Partnership Agreement (EPA) with the EC. Sierra Leone is eligible for the trade preferences granted by the United States under the African Growth and Opportunity Act (AGOA) and the EC's "Everything but Arms" initiative.

12. Sierra Leone was the first WTO Member to benefit from a new facility, the Trade Policy Clinics. In accord with the Clinic, this Trade Policy Review aims, inter alia, to contribute to improving transparency in domestic policies at national and multilateral level. By the time of completion of this report Sierra Leone had not submitted notifications to the WTO other than the national tariff information (now with the WTO Integrated Data Base): in this respect, Sierra Leone has availed itself of trade-related technical assistance, and further notification should follow in due course.

13. On technical assistance, in 2005 the WTO envisages the participation of Sierra Leonean officials in: trade policy courses in Geneva; regional trade policy courses; short trade policy courses on the Doha Development Agenda (DDA); workshops or seminars at the regional or sub-regional level on a number of issues (including negotiating techniques); meetings to promote awareness among parliamentarians; and various other activities at the WTO headquarters. These activities will

cover, *inter alia*, issues identified by the authorities such as notification requirements, customs valuation, the implementation of the WTO Agreements, and the DDA. The setting up of a representation in Geneva would allow closer participation in WTO activities (currently, ensured by the Embassy in Brussels or the bi-annual Geneva Week meetings), but financial constraints constitute an impediment.

14. The development of international trade in Sierra Leone is also supported at the national and the sub-regional level by several development partners, including non-governmental bodies. In October 2004 a "Technical review" was undertaken under the Integrated Framework (IF) as a first step toward Sierra Leone's inclusion in the IF process. Sierra Leone does not benefit from the JITAP (Joint Integrated Technical Assistance Programme).

(3) TRADE POLICY DEVELOPMENTS

15. The customs tariff is Sierra Leone's principal trade policy instrument as well as its main source of government revenue. The tariff comprises seven rates: zero, 5%, 10%, 15%, 20%, 25% and 30%. The average effective applied MFN rate (including a 30% excise tax on certain imports and the 0.5% ECOWAS levy on imports from third countries) is 14.9%. All tariff lines are bound, imparting a degree of predictability to market-access conditions; nevertheless, the large gap between average bound and applied MFN tariff rates (33.6 percentage points) provides significant scope for increasing applied tariffs within binding levels. The average customs duty on agricultural (WTO definition) products (16.5 %) is higher than the average duty on industrial products (13.5 %). All tariff rates are *ad valorem* thus ensuring a high degree of transparency. The tariff reflects a concentration of tariff lines on four of the seven rates in force and a pronounced escalation pattern, seemingly in line with national as well as regional policy priorities. Sierra Leone's customs tariff is being harmonized with those of other ECOWAS members that now apply the WAEMU CET.

An ECOWAS Common External Tariff (CET) is expected to be in place as of 1 January 2008.

16. Sierra Leone has not yet implemented the WTO Agreement on Customs Valuation, continuing with the use of the Brussels Definition of Value; it maintains reference values (officially established minimum customs values) for imports of sensitive items (rice, flour, sugar, cement, plastic slippers, used clothing, and used clothing accessories). No official list of these reference values seems to have been issued or made publicly available. Preshipment inspection is mandatory and importers bear the associated costs (1.10% of the f.o.b. value, 0.25% for rice). Efforts to streamline customs-clearance procedures are under way; a "one-stop-centre" for the clearance of imported goods has reduced time at the quay, and a project to implement the Automated System for Customs Data (ASYCUDA) has commenced.

17. A few import prohibitions and restrictions are maintained for health, safety, security, and environmental reasons. International standards constitute the basis for the preparation of Sierra Leonean standards; efforts are being made to follow WTO provisions on standards. No contingency measures exist but ECOWAS is committed to developing a Community Anti-dumping and Safeguard Code.

18. Complicated and lengthy procedures affect exports. Exports of plants and charcoal are restricted through permits aimed at minimizing deforestation and preventing the extinction of tree species used for both fuel wood and medicinal production. Export taxes are levied on cocoa and coffee (2.5%), and diamonds (3%). As from 2004, a flat rate diamond export-licence fee has applied, thus eliminating past discriminatory rates.

19. Assistance to domestic production is available in the form of tax incentives; those for agri-processing activities are tied to a requirement of 60% of local input or value added. State participation in certain activities

continues, for example, in electricity, telecommunications, and transport. Since 2004, Sierra Leone has been applying interim rules and regulations for government procurement, for a period of one year, pending the completion of a revised regulatory framework; no preferences for local suppliers are currently in force.

20. The regulatory and institutional framework for the protection of intellectual property rights (IPRs) is being strengthened; Sierra Leone benefits from an extended time-limit (up until 2006) for the full implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The ratification of certain regional IPR arrangements (e.g., the 1999 Harare protocol for patents and industrial designs) and effective enforcement of protection measures seem to be impeded by institutional constraints and a lack of means. No legal framework is in place relating to competition policy and consumer protection. Environmental concerns have been addressed by the introduction/enforcement of new legislation.

(4) SECTORAL POLICY DEVELOPMENTS

21. The labour-intensive and well-endowed agricultural sector appears to be recovering progressively from the damages of the civil conflict, while retaining its pre-conflict dominant role in the economy (almost half of GDP). Sierra Leone is a net-food-importing country and a food aid recipient, with production unable to keep pace with the rapidly expanding food requirements. Although food security has improved progressively since 2001, due to stability that has allowed the subsequent return of displaced farmers, free distribution of seedlings and other inputs is important in determining the scale of planting. Local-content requirements need to be met to take advantage of tax incentives in agri-processing activities. Domestic rice production (82% of the population's food intake) is protected at the border by a 15% tariff and a minimum reference value. Special permits for the

production, transport, and export of fuel wood and/or charcoal are used against deforestation, which has progressed rapidly in recent years; some reforestation action is being taken. Industrial fishing takes place mainly under joint-venture agreements but the catch is processed abroad due to a lack of adequate facilities in Sierra Leone; standards and codes of conduct are being developed in accord with the EC directives on sanitary certification for fish and fish products.

22. Sierra Leone's vast mineral resources, reserves, and unexploited potential remain among the key elements in its development prospects; a Core Mineral Policy is being developed. The diamond subsector is the dominant activity and main foreign-exchange earner; it accounts for more than 90% of total exports (2003). Since 2000, mandatory certificate-of-origin requirements (Kimberley process) have contributed to the considerable growth of registered diamonds trade and the resulting fiscal revenue rise. A Diamond Area Community Development Fund (DACDF) seeks to ensure an equitable allocation of benefits to communities in the diamond mining areas. Ad hoc tax concessions have been granted for restarting rutile mining activities; Sierra Leone was the largest world producer of this mineral before the conflict.

23. In the light of Sierra Leone's fragile economy, dependence on increasingly expensive oil imports for, inter alia, electricity production and transportation constitutes, to some extent, a developmental constraint. The National Power Authority, a state monopoly, is responsible for electricity generation, transmission, and distribution; a hydroelectric power plant is to be operational by the end of 2005. Electricity tariff differentials penalize industrial consumers, who are charged up to 30% higher rates than other consumers.

24. Manufacturing, mainly composed of small and medium-sized enterprises, remains underdeveloped. Border protection, is confined to tariffs, which attain their highest levels on processed food, beverages, textiles,

furniture, non-metallic mineral products, and other manufactures.

25. *Services account for one quarter of Sierra Leone's GDP. Several inefficiencies contribute to the high cost of financial intermediation, and limit the availability of financing for productive investments, especially to small and medium-sized enterprises; emphasis has been put on promoting the micro-financing programme. Prudential requirements, independent supervision, and rural bank reforms have marked the finance sector since 2000. In telecommunications, two private operators have run mobile telephony networks since 1990; efforts are under way to update the regulatory framework. The State Ports Authority levies higher charges on imports than exports (freight levy for navigational purposes, harbour dues for containers); port services have improved and the average ship turn-around time has decreased. Since 1999, Sierra Leone has participated in the Yamoussoukro Initiative on the gradual implementation of an "open skies" agreement in order to liberalize air passenger and cargo transport.*

26. *Sierra Leone has comprehensive commitments under the General Agreement on*

Trade in Services (GATS); an MFN exemption is in force with respect to its sub-regional preferential arrangements. Sierra Leone did not take part in the negotiations on basic telecommunications or financial services.

(5) OUTLOOK

27. *Sierra Leone's economic performance since the end of civil unrest, together with the authorities' commitment to structural reform, holds the prospect of sustainable growth and poverty alleviation. The intensity of efforts to strengthen the legal and institutional framework for coherent and sound policy-making, and to promote export and market diversification, will determine Sierra Leone's speed and sustainability of recovery. As an LDC, Sierra Leone will continue to receive technical assistance from its development partners, as it has from the WTO since 1995. The negotiations under way in the WTO could make a major contribution to Sierra Leone's market access. Nevertheless, the benefits to Sierra Leone will not be fully realized until its economy is able to respond competitively to external demand.*

II. ECONOMIC ENVIRONMENT

(1) OVERVIEW¹

28. Sierra Leone covers an area of 71,740 km² and is bordered by Guinea to the northeast, Liberia to the south, and the Atlantic Ocean to the west. In 2002, its population was approximately 4.8 million, of which 34% (2004) lived in urban areas; per capita GDP was US\$208.8. The rate of population growth is fairly high with a birth rate of 2.3% per annum; average life expectancy is estimated at 34.3 years.

29. Since the end of the internal unrest in January 2002 (Chapter II(2)), Sierra Leone has made strides in stabilizing the macroeconomy, seeking sustainable growth, reducing poverty, and consolidating peace, despite continuing regional instability. Nevertheless, many challenges lie ahead in consolidating these gains and in progressing on a broad range of structural reforms. Economic growth remains largely dependant on the performance of the primary sector, mainly mining and agriculture. The absence of export diversification means that diamonds remain the single largest export item. The size of the informal sector is significant.

30. An Interim Poverty Reduction Strategy Paper (IPRSP) was issued in 2001, and its final version (PSRP) was to be ready by end 2004²; the PSRP is to provide a much-needed medium-term framework to address the socio-economic challenges facing Sierra Leone. Macroeconomic stabilization and structural reform have been carried out with the support of a three-year (US\$196 million) Poverty Reduction and Growth Facility (PRGF) arrangement, approved in September 2001.³ Macroeconomic discipline is to be strengthened at sub-regional level through the agreement for the establishment of a West

African Monetary Zone (WAMZ) by 1 July 2005; during the first half of 2004 Sierra Leone met one of the four primary convergence criteria of the WAMZ (none in 2003). Tax reforms are being undertaken, but privatization has not yet progressed. Since 2001, steps have been taken to combat corruption and improve governance, by revising the regulatory framework and creating an Anti-Corruption Commission.

31. Since 2002 Sierra Leone has been eligible for, and benefited from, assistance under the enhanced Heavily Indebted Poor Countries Initiative (HIPC), which has improved the outlook for Sierra Leone's debt sustainability. According to the UNDP, Sierra Leone, ranked 177th (out of 177 countries) on the UN human development level index for the third consecutive year (Table I.1). Sierra Leone's maternal mortality rates are currently the highest in the world.

Table I.1
Main social and economic indicators

| | | |
|------------------------------------------|----------------|----------|
| Land area | 71,740 sq. km. | Urban |
| Population (2002) | 4.8 million | Non (200 |
| Annual population growth (trend 2000-15) | 2.3% | GDI |

| | | |
|-----------------------------------|-----------------------|------|
| UN human development index (2003) | | |
| - Overall ranking | 177 th | Enrc |
| - Category | Low human development | - I |
| - Ranking within category | 36 th | - I |
| | | - S |
| | | Adu |
| | | - M |
| | | - I |
| Life expectancy at birth (2002) | 34.3 years | |
| Infant mortality rate per '000 | 165 | |

.. Not available.

Source: UNDP (2003), *Human Development Report 2003*; Ministry of Development and Economic Planning (2004), *Poverty Reduction Strategy Paper*, December, Freetown; and IMF (2004), *International financial statistics*.

¹ The entire or partial lack of statistics in several areas (e.g. unemployment, trade) do not allow proper appraisal of recent economic developments.

² This delay was due to Sierra Leone's administrative and technical constraints.

³ IMF Press Release No. 04/33, 23 February 2004. Available at: <http://www.imf.org/external/np/sec/pr/2004/pr0433.htm> [28 July 2004].

(2) RECENT ECONOMIC PERFORMANCE**(i) Growth, employment, and poverty**

32. Since the end of the conflict, economic growth rates have increased sharply, to 26.8% in 2002, before decelerating to 9.4% in 2003 (Table I.2). Improvement in the security situation, growing confidence, increasing diamond exports, rising aid inflows, and progress in resettling people displaced by the civil war, helped account for this trend.⁴ The growth forecast for 2004 (7.2%) and 2005 (7%) is largely based on expectations for increased activity in agriculture, mining, manufacturing, and services, as well as expansion in investment related to infrastructure projects.⁵

Table I.2
Economic performance, 2001-04

| | 2001 |
|-----------------------------------------------|---------|
| GDP at current market prices (US\$ million) | 812.1 |
| GDP at current market prices (leones billion) | 1,755.2 |
| GDP per capita (US\$) | 177.6 |
| Real GDP growth | 18.5 |
| Inflation (end period) | 3.4 |
| Interest rates | |
| Time deposit rate (3-months averages) | 8.10 |
| Commercial lending rates (period averages) | 28.00 |
| Broad money, M2 (% change) | 30.8 |
| Government fiscal balance | -9.8 |
| Domestic revenue (excluding grants) | 11.8 |
| Tax revenue | 11.3 |
| Grants received | 5.4 |
| Expenditure, including net lending | 27.1 |
| External sector | |
| Current account balance | -9.3 |
| Net merchandise trade | -16.5 |
| Exports | 3.6 |
| Imports | 20.1 |
| Capital account | 6.2 |
| Overall balance | -3.1 |

| | 2001 |
|----------------------------------------|-------|
| Gross official reserves (US\$ million) | 51.1 |
| in months of imports (c.i.f.) | 2.4 |
| External debt | 175.8 |

.. Not available.

a Annual estimate as of June 2004.

b Mid-year estimate as of June 2004.

Source: West African Monetary Institute (WAMI); and Central Bank of Sierra Leone.

33. Agriculture is Sierra Leone's largest economic sector, followed by services; since 1996 the GDP shares of mining (due to cessation of rutile and bauxite exports) and manufacturing have declined steadily (Table I.3). The size of the informal sector (see below) may raise questions on the accuracy of these shares.

| Table I.3 | | 2003 | | 2004 | |
|-----------------------------------|--|---------|------------------|------------------|---------|
| Sectoral shares in GDP, 1995-03 | | 1995 | 1996 | 1997 | 1998 |
| | | 995.0 | 983.2 | 1000.0 | 1000.0 |
| Share of main sectors in GDP | | 2,169.0 | 2,519.1 | 2,519.1 | 2,519.1 |
| Annual percentage change | | 208.8 | 208.8 | 208.8 | 208.8 |
| Agriculture, forestry and fishing | | 40.0 | 45.2 | 45.2 | 45.2 |
| Agriculture | | 23.9 | 28.2 | 28.2 | 28.2 |
| Livestock | | 2.2 | 2.2 ^a | 2.2 | 2.2 |
| Forestry | | 3.1 | 2.8 | 3.1 | 3.1 |
| Fishery | | 11.3 | 10.5 | 10.5 | 10.5 |
| Mining and quarrying | | 23.4 | 24.8 | 24.8 | 24.8 |
| Manufacturing | | 8.5 | 8.1 | 8.1 | 8.1 |
| Services | | 8.10 | 8.42 | 18.2 | 15.3 |
| Construction | | 25.00 | 25.00 | 3.0 | 3.0 |
| Electricity and water supply | | 21.9 | 1.1 | 0.5 ^b | 0.4 |
| Trade and transport | | 6.5 | 5.1 | 4.6 | 4.6 |
| Transport and communication | | -6.2 | 2.0 | 1.8 ^b | 1.8 |
| Finance, insurance | | 11.4 | 3.6 | 3.3 ^b | 2.8 |
| Government services | | 11.1 | 3.5 | 3.2 ^b | 3.5 |
| Other services | | 2.5 | 1.9 | 1.9 ^b | 2.0 |
| Per cent of GDP | | 7.4 | 7.1 | 2.4 ^b | 2.4 |

Source: Sierra Leone Central Statistics Office (2004), *Annual Statistical Digest*.

34. Sierra Leone's nominal GDP per capita, in U.S. dollar terms, has increased by 17% since 2001, to an estimated US\$208.8 (current) (Table I.2). An estimated 70% (2004) of the total population are living below the poverty threshold, of which 79% live in

⁴ IMF (2004a).

⁵ IMF (2004a).

rural areas⁶; the displacement of some two million people during the conflict contributed significantly to the poverty profile. Around 30% of the population do not have access to safe drinking water. The literacy rate is low and disparities between women and men in terms of education are significant (Table I.1).⁷

35. As stipulated at the 2001 Interim Poverty Reduction Strategy Paper (IPRSP) (section 1), Sierra Leone's overall objectives for 2001-02 were to improve living standards, restore security, and supply basic social services to the most vulnerable groups. The priorities from 2003 to 2005 are to reduce its debt burden and increase public expenditures in the social sectors. According to the authorities, the population living below the poverty threshold was reduced from 83% in 1990 to 70% in 2004; and the share of health and education in total recurrent expenditure rose from 24.2% in 2000 to 29.3% in 2003. As noted earlier a PSRP was to be ready by end-2004; since 2001, the process has been supported by an IMF PRGF arrangement.⁸

36. Unemployment is one of the basic problems in Sierra Leone; however no official unemployment figures were available from the authorities by the time of completion of this

report.⁹ In 2002, the authorities estimated that the informal sector accounted for at least two thirds of the labour force and over 70% of the urban labour force.¹⁰

(ii) Price inflation

37. Inflation has been erratic; the Consumer Price Index declined in both 2000 and 2002 but rose to 3.4% in 2001 and 11.3% in 2003 (Table I.2). During the first half of 2004, there was a further increase to 14.6%, higher than the convergence criteria target (inflation rate below 5%) set in the context of the planned West African Monetary Zone (Box I.1). In 2003 and the first half of 2004 inflationary pressure was due to a rise in fuel prices (and their impact on transportation costs), a strong growth in import demand for reconstruction, an expansionary monetary policy, partly owing to delays in donor support, and the "pass-through" impact of the exchange-rate depreciation of the national currency (the leone) against the U.S. dollar on domestic prices.¹¹ According to the West African Monetary Institute (WAMI) (Box I.1), consumer spending in the festive seasons, further adjustments in the prices of petroleum products, and developments in the foreign exchange market are also likely to influence price developments for the second half of the year 2004.¹²

(3) MAIN MACROECONOMIC POLICY DEVELOPMENTS

(i) Monetary and exchange rate policy

38. Since 1964 monetary policy has been conducted by the Bank of Sierra Leone (BSL) with market-based instruments (Chapter

⁶ Ministry of Development and Economic Planning (2004); and UNDP (2003).

⁷ Only three out of ten Sierra Leoneans can read and write, compared with an average in sub-Saharan Africa of six out of ten persons.

⁸ The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programmes are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programmes are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5% and are repayable over 10 years with a 5½-year grace period on principal payments. IMF Press Release No. 04/33, 23 February 2004. Available at: <http://www.imf.org/external/np/sec/pr/pr0433.htm> [28 July 2004].

⁹ The Ministry of Labour has not carried out a systematic survey of the Sierra Leone work force. The most up-to-date unemployment figures were based on the last census, carried out in 1985. Anecdotal evidence puts the current unemployment figures at above 50%. Government seemingly employs about 30% of the adult work force.

¹⁰ Ministry of Development and Economic Planning (2004).

¹¹ West African Monetary Institute (2004).

¹² West African Monetary Institute (2004).

IV(5)(iii)). For 2004, the monetary policy objectives have been to contain inflationary pressures and to rebuild foreign reserves. The BSL is to meet this objective by managing the growth of its net domestic assets, and to complement this as needed by maintaining a higher reserve-requirement ratio and using interest rates more actively.¹³ As from 2001, the broad money supply has been brought gradually under control (Table I.2).

39. The leone's exchange rate is classified as "independently floating"¹⁴; this float should observe the conditions set at the 2002 WAMI arrangement on the establishment of an Exchange Rate Mechanism (Box I.1).¹⁵ Since 25 April 1990, the official exchange rate has been market-determined through weekly auctions. The BSL calculates the official exchange rate every Wednesday morning as the weighted average mid-rate of purchases and sales made by commercial banks and foreign exchange bureaus during the last five business days, for customs valuation purposes and for official transactions. The official buying and selling rates are set within a band of plus and minus 1% of the official mid-rate.

40. Commercial banks may buy and sell foreign exchange from/to individual customers, as well as trade among themselves or with the BSL on a freely negotiable basis. Foreign exchange bureaus are limited to spot transactions, and are not permitted to sell traveller's cheques. According to the IMF, for the year 2003, the spread between the official and parallel market exchange rates remained relatively stable within a range of 5% to 8%.¹⁶

41. With effect from 14 December 1995, Sierra Leone accepted IMF Article VIII obligations.¹⁷ According to the IMF, on 29 June 2001, Sierra Leone removed the remaining exchange restrictions, in the form of a tax clearance certificate required for

payments and transfers of certain types of current international transactions.¹⁸

42. Payments for imports may be made in leones and credited to an external account in the currency of the exporting country, which, for practical purposes, should be in pounds sterling, or U.S. dollars. Receipts from exports to countries other than China may be obtained in leones from an external account in the currency of the importing country or in any specified convertible currency.¹⁹

43. Sierra Leone nationals and firms may hold foreign-currency bank accounts and may freely import and export currency. Foreign firms with investments in Sierra Leone may remit profits and capital without prior BSL approval, subject to fulfilling the regulations governing the transactions. Cash amounts over US\$10,000 to be taken out of Sierra Leone by residents must be reported to the authorities.²⁰

44. In response to shortages of petroleum products (due to oil companies' outstanding payments to suppliers), between March and 31 December 2003 the BSL allowed oil companies to obtain foreign exchange (amounting to about one third of the total auction supply) through a temporary special window.²¹ The window used the exchange rates determined at the weekly auctions; a total of US\$10.15 million, or 18% of the total auction supply, was made available to the oil companies.

45. Between 1997 and 2003 the leone depreciated by 58% (in foreign currency terms) against the U.S. dollar (Chart I.1), as a result, *inter alia*, of excess demand over supply within the banking system and the economy, largely due to increased import-driven demand for consumption,

¹⁸ IMF (2004a).

¹⁹ IMF (2003).

²⁰ The Anti-Money Laundering Act, 2004 (Part II 3); and IMF (2003).

²¹ The IMF expressed concern that this approach would affect the integrity of the foreign exchange auctions, although this had not caused an exchange restriction yet (IMF, 2004a).

¹³ IMF (2004a).

¹⁴ IMF (2004a).

¹⁵ West African Monetary Institute (2003) and (2004).

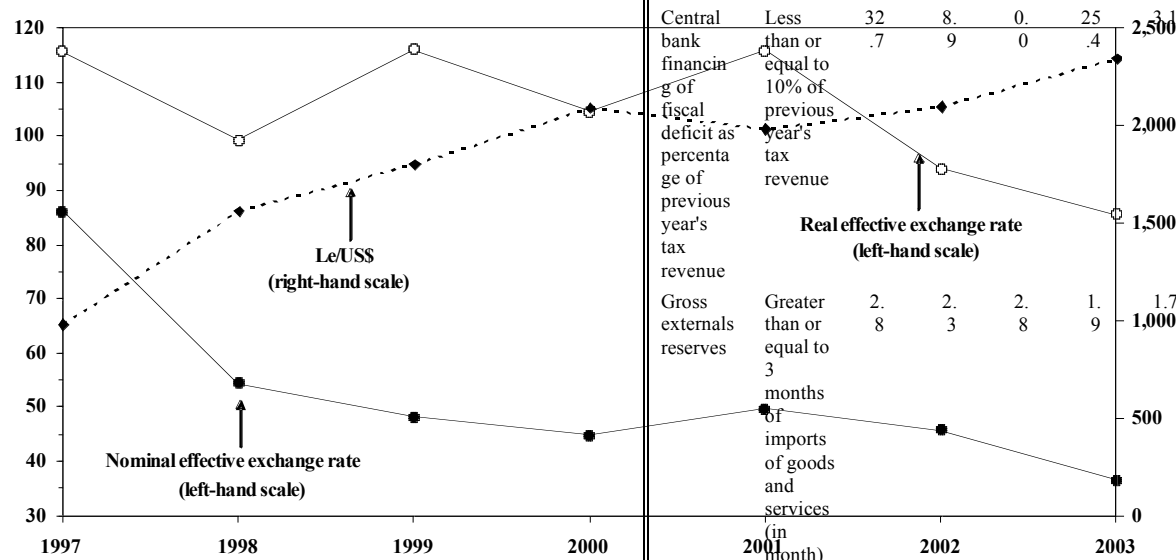
¹⁶ IMF (2004a).

¹⁷ IMF Article VIII, Sections 2, 3 and 4.

manufacturing, and services, a decrease in inflows by non-governmental organizations (NGOs), non-compliance with exchange control regulations, insufficient funds in the foreign-exchange auction, and excess liquidity in the economy.²² The reduced supply of foreign exchange, also appears to be due to the scaling down of activities of the United Nations Mission in Sierra Leone (UNAMSIL) prior to its withdrawal from the country scheduled for June 2005.²³ The exchange rate depreciation improved Sierra Leone's international price competitiveness, but worsened inflationary pressures from induced price rises, especially on imported inputs. For 2004 the annual average nominal exchange rate (period average) stood at Le 2,566.2 per U.S. dollar (June 2004) (Table I.5).²⁴

Chart I.1
Exchange rate developments, 1997-03

Index 1995=100; period averages



Source: IMF (2004), *International Financial Statistics*, March.

46. Sierra Leone participates in the sub-regional initiative for the establishment of the

²² Ministry of Finance (2003).

²³ IMF (2004a). Upon departure of the UNAMSIL forces the Government of Sierra Leone will assume the cost of maintaining internal and border security.

²⁴ Central Bank of Sierra Leone.

West African Monetary Zone (Box I.1); ten criteria were established to monitor the state of macroeconomic convergence of the participants with prescribed benchmarks (Table I.4).

Table I.4
West African Monetary Zone convergence criteria, 2000-04
(% unless otherwise specified)

| Criteria | Commitment base | 2000 | 2001 | 2002 | 2003 | 2004 ^a |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------|------|------|------|-------------------|
| Primary criteria | | | | | | |
| Fiscal deficit excluding grants/GDP | Less than or equal to 4% ^b | 17.3 | 15.3 | 14.9 | 13.3 | 6.0 |
| Inflation rate (end of period) | Less than or equal to 5% | 2.8 | 3.4 | 3.1 | 11.3 | 14.6 |
| Central bank financing of fiscal deficit as percentage of previous year's tax revenue | Less than or equal to 10% of previous year's tax revenue | 32.7 | 8.9 | 0.0 | 25.4 | 2,500 |
| Gross external reserves | Greater than or equal to 3 months of imports of goods and services (in month) | 2.8 | 2.3 | 2.8 | 1.9 | 1.7 |
| Secondary criteria | | | | | | |
| Arrears (Le billion) | Prohibition of new domestic arrears and liquidation of previous arrears | .. | .. | .. | .. | .. |
| Tax revenue/GDP | Ratio greater than or | 10.8 | 11.3 | 10.6 | 11.1 | 5.4 |

| Criteria | | 2000 | 2001 | 2002 | 2003 | 2004 ^a |
|------------------------------------------|------------------------------------|------|------|------|------|-------------------|
| | Commitment base | | | | | |
| | equal to 20% | | | | | |
| Salary Mass/tax revenue | Ratio less than or equal to 35% | 62.0 | 56.1 | 62.0 | 57.3 | 59.6 |
| Public investment from domestic receipts | Ratio greater than or equal to 20% | 4.4 | 8.7 | 8.8 | 10.6 | 10.1 |
| Nominal exchange rate (+/- depreciation) | 15% flotation band | .. | 23.2 | 0.9 | 14.9 | 15.8 |
| Real interest rate | Greater than 0% | 9.3 | 1.4 | 8.6 | -5.8 | -6.6 |

.. Not available.

^a Mid-year estimates as of June 2004.

^b Before 2002, less than or equal to 5%.

Source: West African Monetary Institute (2004) "Assessment of country performance on the West African Monetary Zone Programme during the first half of 2004 and outlook for the rest of 2004 and beyond", August.

(ii) Fiscal policy

47. Sierra Leone's fiscal deficit is due in large measure to the post-conflict rehabilitation programme. Its share to GDP has been declining; from 2001 to 2003 it dropped from 9.8% to 6.2% (Table I.2). For the first half of 2004 the fiscal deficit (including grants) was estimated at 3.7% of GDP and was to be financed for the most part from external sources.²⁵

48. Since 2000, the share of domestic revenue to GDP has decreased slightly (Table I.2). The GDP share of expenditure (more than twice as large as the revenue share) decreased at a faster pace. According to the authorities, the expenditure level is due to high costs relating to the rehabilitation programme in social and economic sectors. In 2003, total expenditure and net lending represented 24.7% of GDP, and the payroll absorbed 25.7% of total expenditures.²⁶ The IMF estimated that government domestic revenue accruing to the State in 2004 would be equivalent to 16% of GDP and that spending was expected to reach 26% of GDP.²⁷

Box I.1

West African Monetary Zone

Six non-WAEMU (West African Economic Monetary Union) members of the Economic Community of West African States (the Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone), signed an agreement in April 2000, aimed at establishing a monetary union by 1 January 2003: the West African Monetary Zone (WAMZ) or Second Monetary Zone (SMZ) (Chapter II(6)(ii)(c)). Cape Verde and Liberia are currently observing the WAMZ. The WAMZ is driven by ten convergence criteria (four primary and six secondary (Table I.4)), which they were required to meet as a precondition for the establishment of a monetary union; in 2004 (June) Sierra Leone met one out of four primary convergence criteria. In November 2002, the Convergence Council of the WAMZ, deferred the 2003 deadline for the establishment of a WAEMU to 1 July 2005; this was seemingly because some WAMZ member countries had not yet converged towards poverty reduction. In July 2004, the authorities decided not to put into effect all of the reductions in income and corporation tax rates, announced in the 2004 Budget Speech, until satisfactory revenue trends are established in the context of the fifth review (end-June 2004) under the Poverty Reduction and Growth Facility (PRGF) support arrangement.²⁹ The

A West African Monetary Institute (WAMI) was established in January 2001, as a predecessor to a common central bank for the WAMZ. The WAMI, which is funded by the Central Bank of each WAMZ member, started operations in March 2001. The functions of WAMI are: (i) to monitor the state of convergence; (ii) to set up a regional payment system; (iii) to promote a regional payment system; (iv) to settle the new currency; and (vii) modalities for setting up a common central bank. According to the Sierra Leonean authorities the exchange rate will be pegged to the U.S. dollar.

In March 2002, an Exchange Rate Mechanism (ERM) was introduced by the West African Monetary Institute (WAMI). This arrangement provides for a 15% fluctuation band around parities established on the basis of the currencies' value against the U.S. dollar. According to the Sierra Leonean authorities a new Central Parity Rate (CPR) of 1:1000 (2003) was introduced in January 2004, and until end-June 2004 the country had remained well within the agreed band, though marginally fluctuating.

Source: Bank of Sierra Leone (2003), *BSL Bulletin Jamaica* (2004); and WAMI (2003), *Programmes for macroeconomic convergence in the West African Monetary Zone*, April (2004a).

²⁵ Government of Sierra Leone (2002).

²⁹ IMF (2004a).

authorities intend to accelerate tax reforms (section (4)(i)) with a view to improving tax administration, strengthening the capacity of government ministries, and raising the efficiency of public service delivery.³⁰

(4) MAIN STRUCTURAL POLICY DEVELOPMENTS

(i) Tax reform

50. To address deficiencies in the tax system, the authorities have announced and undertaken reforms since 2002 (Chapter III(2)(iii)(a) and (4)(i)(b)). These reforms include: the establishment of the National Revenue Authority (NRA) in September 2002³¹; the lowering of the general maximum customs tariff rate from 40% to 30% (2003); the reduction of the sales tax rate from 20% to 17.5% (2003); the elimination of the excise tax for luxury and related goods (2003); and reduction of the top rate of the income tax from 40% to 35% (2003).³²

51. The authorities are studying ways of moving towards broad-based consumption taxation, such as a value-added tax (VAT) in the medium-term, to enhance tax compliance, improve the business environment, and generate higher revenues.³³ At present, the authorities are assessing the impact of implementing an Economic Community of West African States (ECOWAS) Common External Tariff (Chapter II(6)(ii)(c)) on fiscal revenue.³⁴ In this context, the authorities note that to compensate for the implied revenue losses, the scope of other revenue sources needs to be expanded, including the possible introduction of VAT by 2007.³⁵

³⁰ IMF (2004a).

³¹ Bank of Sierra Leone (2003).

³² Government Budget 2002.

³³ Ministry of Development and Economic Planning (2004).

³⁴ IMF (2004a).

³⁵ According to the IMF, a study of the modalities of a VAT tax system is a structural benchmark for 2004.

52. In June 2004 a draft Bill (the Government Budgeting and Accountability Act) was sent to Parliament; it is intended to streamline the budgeting process and clarify relationships between the central and local governments.³⁶ According to the authorities, tax reforms envisaged for 2004-05 include: the implementation of basic financial accounting; the modernization of computer systems; the replacement of financial management accounts systems with financial information management systems; and the creation of a codification system for government accounts.

(ii) Privatization

53. Privatization is cited as a key element in Sierra Leone's structural reform programme. State involvement persists in several loss-making economic activities (Table III.2), constituting a financial burden on the budget.³⁷ As of 2002, the authorities undertook to implement a programme drawn up by the National Commission for Privatization; the programme does not specify implementation dates although in several cases it specifies a time-frame, mostly outdated. Sierra Leone benefited from technical assistance from the World Bank in this area. Nevertheless, at the time of completion of this report no privatization had been concluded (Chapter III(2)(vi)).

(iii) Governance

54. Issues relating to transparency and the proper management of public affairs have had a direct impact on the overall economic environment and on the conditions under which economic actors take their decisions and operate. Poor governance (e.g., corruption, rent-seeking activities, disregard for the rule of law) seems to have been a major root cause of the conflict in Sierra Leone.

55. Sierra Leone is determined to prevent and combat all forms of corruption and to

³⁶ IMF (2004a).

³⁷ National Commission for Privatisation (2003).

improve governance. For this purpose, the Anti-Corruption Act 2000 was amended in October 2002.³⁸ An Anti-Corruption Commission (ACC) was established on 1 January 2001.³⁹ The authorities aim to enhance transparency and manage public resources to ensure responsibility, efficiency, and control of government spending. According to the ACC the Anti-Corruption Act 2000 is defective to a very large extent; it has seemingly affected ACC's operations.⁴⁰ One of the ACC's strategic objectives for 2003-08 is the drafting and passing of new anti-corruption legislation, that will enable it to become more operationally effective. In December 2003, Sierra Leone signed the United Nations Convention against Corruption.⁴¹

(5) BALANCE-OF-PAYMENTS DEVELOPMENTS

(i) Current and trade accounts

56. Sierra Leone's persistent current account deficit (including official transfers), largely due to its high degree of import dependence⁴², decreased from 9.3% of GDP in 2001 to 7.2% in 2003 (Table I.2 and I.5).⁴³ It is not expected to narrow significantly in 2004.⁴⁴ A further decline is forecast for 2005 when rutile and other mineral exports are to resume.

³⁸ Supplement to the *Sierra Leone Gazette*, Vol. CXXXI, No. 7, enacted 3 February 2000.

³⁹ The ACC is composed of a Commissioner and a Deputy Commissioner appointed by the President with the Parliament's approval, for a five-year term, renewable as deemed necessary.

⁴⁰ Anti-Corruption Commission.

⁴¹ The Convention was signed by 111 countries, but is not yet in force. UNODC online information. Available at: http://www.unodc.org/unodc/en/crime_signatures_corruption.html#S [19 July 2004].

⁴² IMF (2004a).

⁴³ Government Budget (2003).

⁴⁴ IMF (2004a).

57. Sierra Leone's merchandise trade deficit widened faster than the current account deficit, to 21.7% of GDP in 2003 (Table I.2). This expansion was due to increases in the value of fuel and rice (Chapters III(2)(ii)(a) and IV(2)(iii)) imports, as well as a strong demand for manufactured goods used in reconstruction activities.⁴⁵

Table I.5
Balance of payments
(US\$ million)

| | 2000 |
|---------------------------------|----------|
| Current account | -91.1 |
| Trade balance | -123.7 |
| Exports (f.o.b.) | 12.8 |
| Imports (f.o.b.) | 136.5 |
| Services | -83 |
| Transfers | 115.6 |
| Private | 39.7 |
| Official | 75.9 |
| Capital account | 46.5 |
| Official capital (net) | 49.3 |
| Inflows/disbursements | 85.5 |
| Amortisation due | -36.2 |
| Direct and portfolio investment | 1.9 |
| Short term capital | -4.7 |
| Overall balance | -44.6 |
| <i>Memorandum items</i> | |
| Exchange rate (period average) | 2,098.70 |

Source: Central Bank of Sierra Leone.

58. Since 2001, foreign exchange reserves have followed a rising trend, except for 2003 when a drop of 26.9% was registered (Table I.2), due to the non-disbursement of US\$46.06 million relating to programme funds from certain donors (EC-SASP, IMF-PRGF, ADB-ERRL II), as well as the additional foreign exchange allocation of US\$13.65 million to the oil companies. By June 2004, Sierra Leone's foreign exchange reserves stood at US\$67.5 million, equivalent to 1.7 months of imports of goods (compared with almost three months in 2002). According to the authorities, by the end of 2004 foreign exchange reserves were expected to attain US\$88.9 million, equivalent to 2.2 months of imports of goods.

⁴⁵ Ministry of Finance (2003).

(ii) External liabilities/debt

59. According to the authorities, the main reasons for Sierra Leone's indebtedness come from the ten-year rebel war, which disrupted economic activities. After the war, it became apparent that Sierra Leone could not sustain its debt obligations due to the lack of economic activity.

60. Since March 2002, Sierra Leone has been eligible for assistance under the enhanced Heavily Indebted Poor Countries Initiative (HIPC). The IMF Executive Board approved the disbursement of interim HIPC assistance of US\$30.52 million on 21 March 2002, US\$33.25 million on 20 March 2003 and US\$22 million on 23 February 2004.⁴⁶ The current interim HIPC assistance is in place until March 2005.⁴⁷

61. In 2002 Sierra Leone signed debt-rescheduling accords, on Naples terms, with ten out of 11 Paris-Club bilateral creditors and on Cologne terms with six bilateral creditors. Sierra Leone also reached rescheduling agreements on arrears with two of its official bilateral non-Paris Club creditors (i.e., the Saudi Fund for development and Organization of the Petroleum Exporting Countries (OPEC) fund). The total arrears to OPEC were US\$9.5 million (June 2004); an agreement was reached with OPEC in July 2003 to settle the arrears under the fund's Commodity Import Programme (CIP).⁴⁸ The Government of Sierra Leone undertook to fully implement the CIP within a maximum of nine months, starting in February 2004, with an initial payment of US\$1.5 million. Regarding commercial creditors, the authorities are negotiating payment of the arrears over a

longer period, but have had only limited success.⁴⁹

62. Following these developments, Sierra Leone's external debt ratio to GDP dropped from 175.8% of GDP (2001) to 169.1% (2003) (Table I.2). Nevertheless, total external debt rose by around 5%, from US\$1.47 billion in June 2002 to US\$1.54 billion in June 2003.⁵⁰ According to the authorities, total outstanding debt as at end-March 2004 was US\$1,647.2 million. Bilateral debt represented 25% of the total (US\$387.6 million in June 2003), compared with 27% in June 2002. Total foreign-debt payments (including IMF repayments and HIPC resources) amounted to US\$21.3 million in June 2003.⁵¹ In June 2003 over 70% of debt service (US\$15.2 million) was reimbursed as interim debt relief under the enhanced HIPC initiative.⁵² The debt service payments were reduced from US\$23.5 million (June 2002) to US\$6.1 million (June 2003).⁵³

(6) DEVELOPMENTS IN MERCHANDISE TRADE

63. The ratio of Sierra Leone's trade (exports plus imports) in goods and non-factor services to GDP increased from 23.7% in 2001 to 33.7% in 2003.⁵⁴

(i) Composition of trade

64. In the absence of export diversification, Sierra Leone remains largely dependent on commodity exports of diamonds and minerals, and to a lesser extent cocoa and coffee (Chart I.2). From 2001 to 2003 domestic exports (excluding re-exports) continued to grow steadily, supported by a competitive exchange rate; they increased from US\$12 million in 2000 to US\$83.9 million in 2003.⁵⁵ Imports are concentrated in

⁴⁶ IMF Press Release No. 04/33, 23 February 2004. Available at: <http://www.imf.org/external/np/sec/pr/2004/pr0433.htm> [28 July 2004].

⁴⁷ IMF (2004a).

⁴⁸ The CIP arrangement involves "back-to-back transfer of funds" between the OPEC and Government of Sierra Leone.

⁴⁹ IMF (2004a).

⁵⁰ Ministry of Finance (2003).

⁵¹ Ministry of Finance (2003).

⁵² Ministry of Finance (2003).

⁵³ Ministry of Finance (2003).

⁵⁴ Central Bank of Sierra Leone.

⁵⁵ Customs and Excise Department, Government Gold and Diamond Office.

six product categories: food, machinery and transport equipment, fuel, manufactured goods, beverage and tobacco, and crude materials, which represent 82% of total imports.⁵⁶

65. Re-exports grew steadily from US\$895,200 in 2000 to US\$8.4 million in 2003.⁵⁷ According to the authorities, the relative stability in Liberia increased the re-exportation of food, plywood, and some other building materials by most of the non-governmental organizations and UNAMSIL to this destination. There was also a surge in the re-exportation of scrap metals to Guinea during the same period.

66. Further appraisal of developments in Sierra Leone's foreign trade is currently impeded by the absence of a consistent and recent series of trade data in national and international databases (IMF, World Bank, UNSD Comtrade, ECOWAS). According to the authorities, in April 2004 the Ministry of Trade and Industry established a Policy, Planning and Research Division to coordinate the analysis of data for the Ministry and the collection of data from government sources. The Ministry is also seeking further resources for the establishment of a statistical database. The Central Statistics Office of the Ministry of Development and Economic Planning now has a Foreign Trade Statistics Section, which processes the data after collection from the NRA.

(ii) Direction of trade

67. Sierra Leone's narrow export base is concentrated in low-value-added products and few markets. Since 2000, Sierra Leone's direction of trade structure has not changed. Its dependence on the European Communities (EC), especially as a destination for exports, remains strongly evident. Exports to the EC made up more than 80% of Sierra Leone's exports in 2003, a slightly larger share than in 2000 (Chart I.3). Belgium remains Sierra

Leone's largest export market, accounting for 77.5% of total merchandise exports, followed by ECOWAS trading partners (12%) (Chapter II(6)(ii)(c)). During the same period the share of ECOWAS in total merchandise exports rose from 10.3% to 12.3%.⁵⁸

68. In 2003, the EC was Sierra Leone's main supplier (30%), followed by ECOWAS trading partners (29%) as well as ASEAN countries (26%), North and South America (6%), and the Middle East (5%) (Chart I.3).⁵⁹

⁵⁶ Ministry of Finance (2004).

⁵⁷ Ministry of Finance (2004).

⁵⁸ Government Gold and Diamond Office, Customs and Excise department.

⁵⁹ Statistics Sierra Leone (2001).

Chart I.2

Composition of merchandise trade, 2001 and 2003

Per cent

2001

(a) Domestic exports

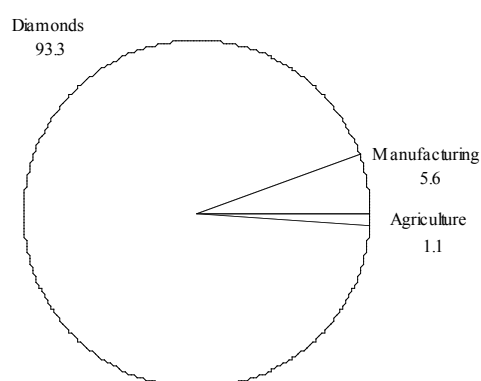


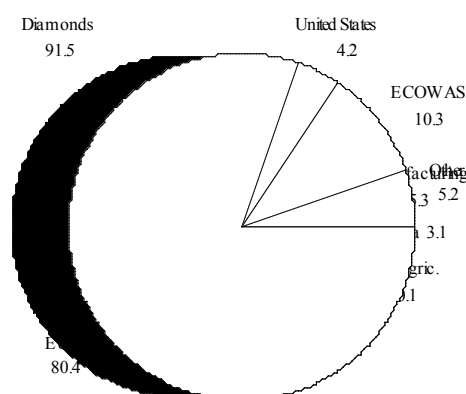
Chart I.3

Merchandise trade by partner, 2000 and 2003

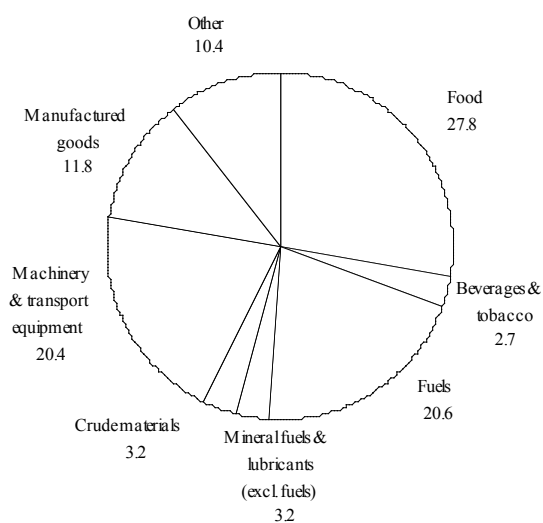
Per cent

2003 2000

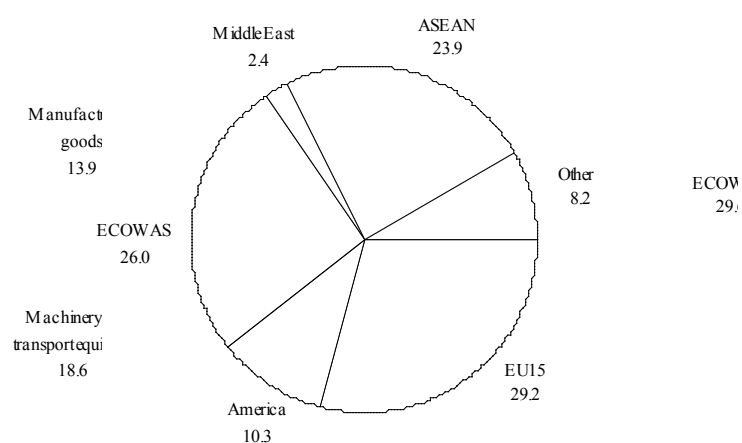
(a) Exports (including re-exports)



(b) Imports



(b) Imports



Source: Ministry of Finance (2004), *Economic Bulletin, Volume 5*, Number 1, April 2004. Information provided by the Sierra Leone authorities.

(7) OUTLOOK

69. Sierra Leone's macroeconomic performance has been encouraging, but many challenges lie ahead. Macroeconomic objectives for 2004 supported higher growth and reduced inflation. The availability of donor support and debt relief are critical in easing financing constraints, including the budgetary cost of the scheduled withdrawal of UNAMSIL. Structural measures should aim at achieving efficiency gains in public service delivery and management. Further action to improve governance and foster the development of the private sector may be required.⁶⁰

⁶⁰ IMF Press Release No. 04/33, 23 February 2004. Available at: <http://www.imf.org/external/np/sec/pr/2004/pr0433.htm> [28 July 2004].

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) OVERVIEW

70. Sierra Leone has a relatively open trade regime. In recent years further tariff reductions have been undertaken, principally in line with its commitments to the Economic Community of West African States (ECOWAS). Sierra Leone's Interim Poverty Reduction Strategy Paper indicates a continuation of the liberalization process, especially the rationalization and reduction in external tariffs (Chapter II(6)(ii)(c)).

71. The customs tariff is Sierra Leone's main trade policy instrument and effective customs duties account for 45% of total government revenue (including grants). The average effective applied MFN tariff, which includes the excise tax and ECOWAS levy, is 14.9%. The average applied MFN tariff is 13.5% for industrial products and 16.5% for agricultural imports. About 52% of tariff lines are currently subject to tariffs ranging from zero to 10%, while another 47% is in the range of 20% to 30%. The customs tariff comprises seven rates (zero, 5%, 10%, 15%, 20%, 25%, and 30%) with the highest duties applied to final consumer goods. The tariff embodies a degree of escalation. The highest effective applied MFN tariff rate is 60.5% (mainly alcoholic drinks/preparations, tobacco, and arms and ammunition). All tariff lines are bound, which imparts a high degree of predictability to the tariff. However, the simple average of bound MFN tariff rates (47.5%) considerably exceeds the average applied MFN tariff rate (13.9%), thereby providing the authorities with significant scope for increasing applied tariffs within bindings. All applied tariff rates are set on an *ad valorem* basis, a feature that contributes to the transparency of the tariff.

72. Sierra Leone applies the ECOWAS supplementary duty of 0.5%, which is levied only on imports from third countries. Sierra Leone also applies an excise tax of 30% (included in its binding commitments) on certain imports and a sales tax of 17.5% on both domestic and foreign products.

73. Sierra Leone has not yet implemented the WTO Customs Valuation Agreement; it continues to apply the Brussels Definition of Value coupled with reference values intended to uplift import prices of sensitive items such as rice, flour, sugar, cement, plastic slippers, used-clothing, and used clothing accessories. Pre-shipment inspection is mandatory and related costs are born by importers.

74. Since October 2003 a "one-stop-centre" for the clearance of imported goods has reduced time at the quay. Import restrictions and licensing requirements for plants and seeds, are generally in place to preserve the environment. Concerning contingency measures, no legislative or institutional framework is in place.

75. Export procedures remain complicated and lengthy. As from October 2000 exports of gold and diamonds, which are subject to specific procedures, have been allowed only through registered and approved exporters. During 2002 and 2003, foreigners were charged higher diamond export licence fees than nationals to encourage the participation of nationals in this sector, but since 2004 a flat rate on all export licences has been applied. As from 2003, a certificate of origin (Kimberley process) has been mandatory for the export of rough diamonds. Plants and charcoal exports are restricted for environmental reasons. Export taxes are levied on cocoa and coffee (2.5%) and diamonds (3%).

76. Sierra Leone is not a signatory to the WTO Government Procurement Agreement; it has applied interim rules and regulations in August 2004, for a period of one year, pending the completion of a revised regulatory framework in this area; no preferences are currently granted to local suppliers. Fiscal incentives are in place for production and trade, including a local-content requirement on agri-processing activities; the payroll tax for non-ECOWAS citizens is ten times higher than for citizens

of the sub-region. State involvement in the economy still persists, due to lack of progress in the privatization process.

77. The regulatory and institutional framework for the protection of intellectual property rights (IPRs) is being strengthened; ratification of certain regional IPR arrangements (e.g. the 1999 Harare protocol for patents and industrial designs) and effective enforcement of protection measures seem to be impeded by institutional constraints and lack of means. Sierra Leone does not have a general legal framework relating to competition policy and consumer protection. Environmental concerns have been addressed by the introduction/enforcement of new legislation (e.g. the National Environmental Policy and the Environment Protection Act).

(2) MEASURES DIRECTLY AFFECTING IMPORTS

(i) Registration and documentation requirements

78. The main documents required for customs clearance are: a clear report of findings and an import duty report¹; a bill of entry²; commercial invoices; phytosanitary/fumigation certificate; certificate of origin; combined certificate of value and origin, and import declaration; packing list; special certificate for goods such as medicine, caustic soda, and salt; and an insurance certificate.

79. Sierra Leone require pre-shipment inspection (PSI) of imports (see below). A project to establish UNCTAD's Automated System For Customs Data (ASYCUDA) has not yet been completed, due to a shortage of external financing.³ A "one-stop-centre" for the clearance of imported goods has been operated by the Customs and Excise Department since October 2003 to reduce clearance time at the quay. According to the National Revenue Authority (NRA) the clearance time has been now reduced to an average of 12 working hours or one day; the previous average was 36 working hours or three days. Sierra Leone has post-entry audit arrangements and import declarations are checked after release. The post-entry audit report is prepared by the Internal Auditor and the result is communicated through the Commissioner to the importer/agent for any further action, if needed.

(ii) Pre-shipment inspection and customs valuation

(a) Pre-shipment inspection

80. Pre-shipment inspection (PSI) has been mandatory since 1990.⁴ On 29 March 2004, as the result of a public bid, this service was awarded to Intertek International (SL) Ltd, under the supervision of the Ministry of Finance and the NRA.⁵ Merchandise (including second-hand goods) of a minimum value of US\$2,000 f.o.b. is subject to inspection. Certain items and/or end-users are exempt from pre-shipment inspection requirements.⁶ An inspection charge payable by the importer is

¹ Those two documents are issued after inspection by the pre-shipment company in the country or port of shipment.

² National Revenue Authority, Custom & Excise Department.

³ According to the authorities, there is no certain date of implementation of the ASYCUDA System. DFID is providing support and conducting a comparative study between the ASYCUDA and Trade Net.

⁴ Between February 1994 and March 2004, the Bureau of Inspection, Valuation, Assessment and Control (BIVAC) International undertook pre-shipment activities for all commercial and industrial imports and exports of Sierra Leone; BIVAC had replaced SSI Company whose contract had expired.

⁵ Contract for three years, renewable for a further period of three years.

⁶ The exemptions: arms and ammunition; parts and accessories imported by the Government of Sierra Leone and intended for military or paramilitary use; explosives and pyrotechnical products; commercial samples; live animals; fruits; vegetables; eggs; and fresh, chilled or frozen meat (tariff chapter headings 1, 2,

set at 1.10% of the f.o.b. value⁷. The PSI charge is allocated as follow: (i) 0.89% to the foreign account in a local commercial bank; (ii) 0.11% to be transferred to the escrow account (see below); and (iii) 0.10% to be transferred to the Consolidated Revenue Fund of the Government of Sierra Leone. The inspection fee for rice is 0.25% (this is to cushion the effect of the high price of rice).⁸ Intertek is responsible for determining the relevant and accurate custom code to be used as the basis for calculation of customs duty and other ancillary taxes. Upon receipt of all required documents and satisfactory assessment, Intertek issues an Import Duty Report (IDR) to the importer and certifies the exporter's final invoices.⁹ Valuation is by the NRA Customs Officer who compares the value on the IDR, the importer invoice, and the customs valuation database¹⁰; the highest of the three is considered as the value for custom duty.¹¹ Value of goods is verified by an Intertek pricer abroad, prior to the goods being exported. Nevertheless, the Customs Department has the authority to up-lift the valuation if they detect cases of inconsistency in value. Intertek is responsible for ascertaining correctness of quantity, quality, and value of goods.

81. In the case of discrepancies with a consignment during the inspection process, and failure by the exporter to take corrective action within five working days of notification, Intertek may issue a Non-Negotiable Report of Finding (NNRF), which will prevent customs clearance in Sierra Leone.¹²

82. According to the agreement signed between NRA and Intertek (article 10), Intertek should identify training needs on customs valuation, (see below) and prepare a detailed programme for the training of NRA employees. The amount and cost of training, and the cost of information purchases would be limited to the funds available in the escrow account, managed jointly by the NRA and Intertek.

83. Sierra Leone has not yet submitted a notification on PSI to the WTO.

3, 7, 8 and 04.07); goods with an f.o.b. value not exceeding US\$2,000 or equivalent (partial shipments covering goods below the threshold value nevertheless shall be subject to inspection if the total value of goods under the shipment agreement is equal or superior to the threshold); newspapers and periodicals (HS 49.02); precious metals and precious stones (HS section 7101 to 7112); work of art, collectors' pieces, and antiques (HS 97); goods by courier and parcel post; personal and household effects; UN, diplomatic and consular goods imported specifically for their own use; electricity; goods belonging to NGOs; radioactive and nuclear substances. All government imports are subjected to pre-shipment inspection except where a letter of exemption has been issued by the Minister of Finance.

⁷ If f.o.b the value is lower than US\$20,455, importers will pay the minimum charge of US\$225. BIVAC preshipment charges were: 1.10% of invoice value or subsequent adjusted figure with a minimum charge of US\$250; import duty report charge of 0.15% of invoice or adjusted value; and the government share 0.10% of invoice value.

⁸ Rice shipments are subjected to documentary analysis and valuation based solely upon documentation supplied by the importer/supplier. Intertek does not guarantee information contained in the documents supplied by the importer/supplier or quality or quantity of any rice shipment. Intertek and NRA agreed that a review of this specific service would be undertaken six months after the start of the agreement.

⁹ IDR lists f.o.b value, freight, insurance, container number, seal number, importer and exporter name and address, description of goods dutiable value, and estimated duty payable.

¹⁰ The customs valuation database includes the value declared by previous importers or confirmed by Intertek on which duty has been paid.

¹¹ The Customs Officer can request records of examined goods, where description or packing is inconsistent with information in the valuation database. According to the authorities, this is done to maintain a level playing field for importers of the same products.

¹² Information available at: http://www.intertek-fts.com/section_02/index.htm [16 September 2004].

(b) Customs valuation and rules of origin

Customs valuation

84. Sierra Leone has not yet implemented the provisions of the WTO Customs Valuation Agreement, and continues to apply the Brussels Definition of Value.¹³ Sierra Leone invoked the five-year transitional period available to developing countries until 31 May 2000 (Annex III, paragraph 1), but the WTO Committee on Customs Valuation has not yet received a relevant notification or any information. Since 29 March 2004 Intertek has been expected to assist the Customs & Excise department in acquiring basic knowledge and equipment to facilitate the implementation of the WTO Customs Valuation Agreement. According to the NRA, non-implementation of the WTO Agreement is due to the lack of modern technology (for speedy confirmation of current market values worldwide), which is required for implementing the transaction value method. During 2004, Sierra Leone obtained technical assistance from the Commonwealth Secretariat on implementation of the WTO Agreement; in July 2004, one NRA officer participated in the WTO Regional Workshop on Customs Valuation, Trade Facilitation and Rules of Origin, held in Tanzania.¹⁴ At the time of completion of this Report no date or plan has been made available regarding the implementation of the WTO Customs Valuation Agreement.

85. Sierra Leone uses minimum and/or reference values (i.e., minimum customs values) for customs valuation purposes. Minimum and/or reference values requirements affect: rice (US\$235 per ton); flour (US\$225 per ton); sugar (US\$240 per ton); cement (US\$52.22 per ton); plastic slippers (US\$0.45 per pair); used clothing (US\$1 per kg.); and used clothing accessories (shoes, belt, bags, etc) (US\$1.4 per kg.). However, no official list seems to be issued and made publicly available. Agricultural-product values are updated seasonally.

86. Sierra Leone is a member of the World Customs Organization, but is not a contracting party to the Kyoto Convention on Customs Procedures, due to lack of funding and capacity.¹⁵ According to the authorities, Sierra Leone is looking forward to becoming a contracting party, and is seeking assistance from its development partners.

Rules of origin

87. MFN duties apply to imports from any origin, except for products covered by the ECOWAS transitional preferential tariff regime (Chapter II(6)(ii)(c)).¹⁶ Imports must be accompanied by an appropriate certificate of origin issued by the designated authority in the exporting country, in accordance with specified certification procedures.¹⁷ According to ECOWAS rules, a product is generally deemed to be of ECOWAS origin if it is wholly produced in any member state, or has a local content of 30%, or has undergone substantial transformation. West African Economy and

¹³ Section 12, of the Customs Tariff Act No. 16 of 1978.

¹⁴ Type of technical assistance received was: a consultant was hired with the assistance of the Commonwealth and his work will start shortly; partial computerize action of the valuation and computer section in the Customs and Excise Department. They are seeking additional assistance from the Commonwealth and other organizations in training customs officers.

¹⁵ Information available at: <http://www.unce.org/trade/kyoto/ky-02-e3.htm#Entry> [25 April 2004].

¹⁶ Article 54 of the ECOWAS Revised Treaty.

¹⁷ Regulation C/REG.3/4/02, 23 April 2002, establishing the procedure for the approval of originating products to benefit under the ECOWAS trade liberalization scheme; and Regulation C/REG.4/4/02 adopting an ECOWAS Certificate of Origin and Protocol A/P1/1/03, 31 January 2003, relating to the definition of the concepts of products originating from members states of ECOWAS.

Monetary Union (WAEMU) products, once certified by the ECOWAS Secretariat, receive the same treatment as other ECOWAS products.

88. There are 774 enterprises and 2,433 products on the list of approved industrial products and enterprises to benefit under the ECOWAS Trade Liberalization Scheme (ETLS) (December 2003). Sierra Leone has two enterprises (T. Choithrams and Sons and Chellerams Chemicals) and three products (bubble gum, biscuits, and laundry soap) approved under the ETLS. According to the authorities, Sierra Leone does not implement the ETLS, seemingly due to limited awareness of the operators and uncertainty regarding forgone customs revenue.

89. Sierra Leone appears not to use any non-preferential rules of origin for the purpose of levying import duties. To date, no notification has been submitted by Sierra Leone to the WTO concerning preferential or non-preferential rules of origin.¹⁸

(iii) Tariffs and other duties and taxes on imports

(a) General features

90. Sierra Leone grants at least most-favoured-nation (MFN) treatment to all its trading partners. Import duties are exclusively *ad valorem*, levied on the c.i.f. (cost, insurance, and freight) value. No seasonal customs duties, tariff quotas or variables levies are in force. The Customs Tariff (as of March 2004), which consists of 5,577 tariff lines at the eight-digit level, is based on three different nomenclatures, i.e. the 1992, 1996, and 2002 versions of the Harmonized System (HS).¹⁹ The road map for the ECOWAS Common External Tariff/Customs Union (November 2003) stipulated December 2003 as the deadline for fully implementation of the 2002 Harmonized System (HS). Sierra Leone has not yet transposed its total customs tariff to the HS02.

91. Sierra Leone has undertaken tariff reforms since the 1980s when the rates ranged from 0% to 100%. In 1993/94 there was further reform in the tariff structure and the rates at that time were 5%, 15%, 20%, and 40%. Subsequently, reforms further reduced and rationalized the rates on various products, on a case-by-case basis.

92. According to the authorities, the tariff structure is being harmonized with those of other countries in the ECOWAS sub-region to reduce cross-border smuggling and foster official trade. This harmonization is expected to enhance tax compliance, improve the business environment, and generate higher tax revenues (see below).²⁰ The tariff on "social products", including all basic educational materials, and pharmaceutical products for primary health care and agricultural machinery, has been reduced from 20% to 5%. Since 2002, the rate or duty applicable in neighbouring countries is applied to cigarettes imported to Sierra Leone.

93. At present, Sierra Leone's customs tariff contains seven rates: zero, 5%, 10%, 15%, 20%, 25%, and 30%. The simple average applied MFN tariff is 13.9% (Table III.1 and Chart III.1). Details of applied MFN duties by product category are shown in Table AIII.1. The customs tariff is published in the *Official Gazette*, but is not available on the Customs Internet website.

¹⁸ WTO document G/RO/57 of 9 December 2003.

¹⁹ Sierra Leone's tariff was compiled in 1994 and the last change in its structure was in August 2003. To carry out its tariff analysis for this Trade Policy Review, the WTO Secretariat consolidated the tariff into the HS02 nomenclature.

²⁰ Ministry of Development and Economic Planning (2001).

Table III.1
Structure of MFN tariff in Sierra Leone, 2004
(Per cent)

| | MFN | Effective applied MFN ^a | U.R. ^b |
|-----------------------------------------------------------------------|-------|------------------------------------|-------------------|
| Bound tariff | | | |
| 1. Bound tariff lines (% of all tariff lines) | 100.0 | 100.0 | 100.0 |
| 2. Simple average bound rate | 47.5 | .. | 47.5 |
| Agricultural products (HS01-24) | 41.8 | .. | 41.8 |
| Industrial products (HS25-97) | 48.5 | .. | 48.5 |
| WTO agricultural products | 40.6 | .. | 40.6 |
| WTO non-agricultural products | 48.7 | .. | 48.7 |
| Textiles and clothing | 50.0 | .. | 50.0 |
| 3. Tariff quotas (% of all tariff lines) | 0.0 | .. | 0.0 |
| 4. Duty free tariff lines (% of all tariff lines) | 0.0 | .. | 0.0 |
| 5. Non-ad valorem tariffs (% of all tariff lines) | 0.0 | .. | 0.0 |
| 6. Non-ad valorem tariffs with no AVEs (% of all tariff lines) | 0.0 | .. | 0.0 |
| 7. Nuisance bound rates (% of all tariff lines) ^c | 0.0 | .. | 0.0 |
| Applied tariff | | | |
| 8. Simple average applied rate | 13.9 | 14.9 | .. |
| Agricultural products (HS01-24) | 17.2 | 18.6 | .. |
| Industrial products (HS25-97) | 13.3 | 14.3 | .. |
| WTO agricultural products | 16.5 | 17.9 | .. |
| WTO non-agricultural products | 13.5 | 14.4 | .. |
| Textiles and clothing | 22.0 | 23.3 | .. |
| 9. Domestic tariff "peaks" (% of all tariff lines) ^d | 0.0 | 0.9 | .. |
| 10. International tariff "peaks" (% of all tariff lines) ^e | 47.2 | 48.2 | .. |
| 11. Overall standard deviation of tariff rates | 9.5 | 10.4 | .. |
| 12. Coefficient of variation of tariff rates | 0.7 | 0.7 | .. |
| 13. Tariff quotas (% of all tariff lines) | 0.0 | 0.0 | .. |
| 14. Duty free tariff lines (% of all tariff lines) | 0.4 | 0.0 | .. |
| 15. Non-ad valorem tariffs (% of all tariff lines) | 0.0 | 0.0 | .. |
| 16. Non-ad valorem tariffs with no AVEs (% of all tariff lines) | 0.0 | 0.0 | .. |
| 17. Nuisance applied rates (% of all tariff lines) ^c | 0.0 | 0.4 | .. |

.. Not available.

a Including excise and ECOWAS taxes.

b Final bound calculations are based on the 2004 tariff schedule. Not including excise duties.

c Nuisance rates are those greater than zero, but less than or equal to 2%.

d Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate (indicator 8).

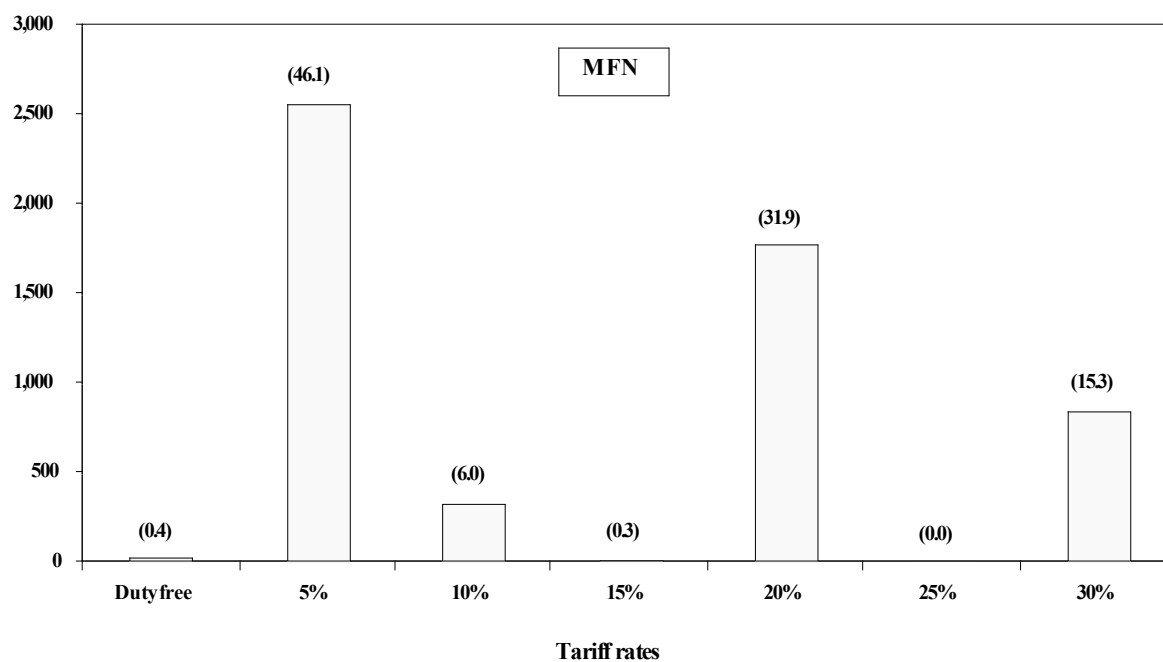
e International tariff peaks are defined as those exceeding 15%.

Source: WTO calculations, based on data provided by the authorities of Sierra Leone.

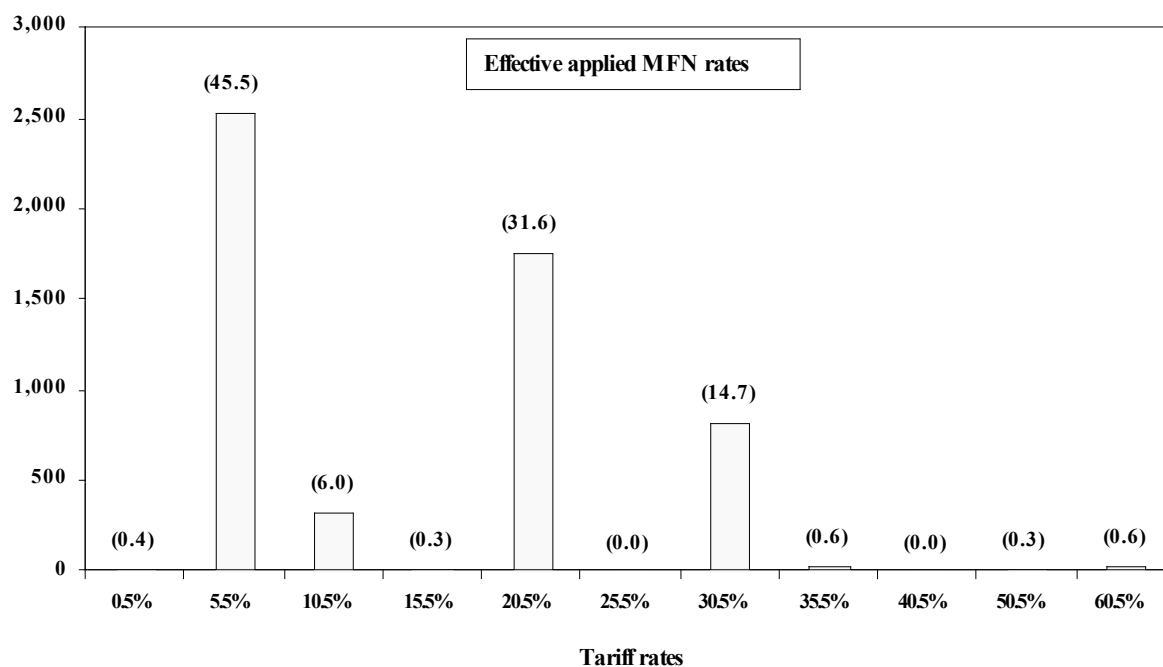
Chart III.1

Distribution of MFN tariffs and effective applied MFN rates , 2004

Number of tariff lines



Number of tariff lines



Note: Percentages in brackets denote the share of total lines. Effective applied MFN tariff rates include excise and ECOWAS taxes.

Source : WTO Secretariat calculations, based on data provided by the authorities of Sierra Leone.

94. An ECOWAS Common External Tariff (CET) should come into effect on the 1 January 2008. A transition period, to December 2007, has been agreed for ECOWAS non-WAEMU members to negotiate and adjust their national tariffs to the WAEMU CET (Chapter II(6)(ii)(c)). According to a recent study, potential revenue losses and external current account deterioration for Sierra Leone resulting from the implementation of the proposed ECOWAS CET will be minimal.²¹ In 2003, customs duties and excise tax (section (2)(iii)(e) and (4)(i)), provided around 45% of Sierra Leone's total government revenue, including grants (gross revenue from import duties were Le 191,915,000,000 or about US\$71 million).²² To compensate for the implied revenue loss from implementing the ECOWAS CET, the authorities envisage expanding the scope of other revenue sources, including the introduction of a value-added tax (section (4)(i)(a)).²³

95. Sierra Leone had not submitted its customs tariff to the WTO Integrated Data base (IDB) until the launching of preparations for its first Trade Policy Review.²⁴

(b) MFN tariff bindings

96. Sierra Leone's tariff lines are all bound (Table III.1). During the Uruguay Round, Sierra Leone bound tariffs on agricultural products at a ceiling rate of 40%, except for preparations of cereals, flour (HS sections 1902-1905), solid soup (HS section 2104), cotton linters (HS sections 5501-5504)), which were bound at ceiling rates of 30%, and beer made from malt (HS section 2203) at 80%. Tariffs on non-agricultural items are all bound at a ceiling rate of 50% except for certain items with rates set at 30%, 35%, 70% and 80%.²⁵ Ceiling rates are bound for other duties and charges at 20% (sales tax), 30% (excise tax) or 50% (sales tax plus excise tax), depending on the product.

97. Many of Sierra Leone's bound rates are considerably higher than applied duties, thus imparting a degree of uncertainty to its applied tariff. The current gap of 33.6 percentage points between the average bound and applied MFN rates provides considerable scope for the authorities to raise applied rates within the ceiling bindings (Table III.1 and Chart III.2). The simple average of the effective applied MFN duties is below the levels contained in Sierra Leone's Schedule CXX under the Uruguay Round. All bindings are observed.

²¹ Barrie and Kaindaneh (undated).

²² Bank of Sierra Leone (2003b).

²³ The study of the modalities of a value-added tax system is a structural benchmark for 2004 (IMF Country Report No. 04/49).

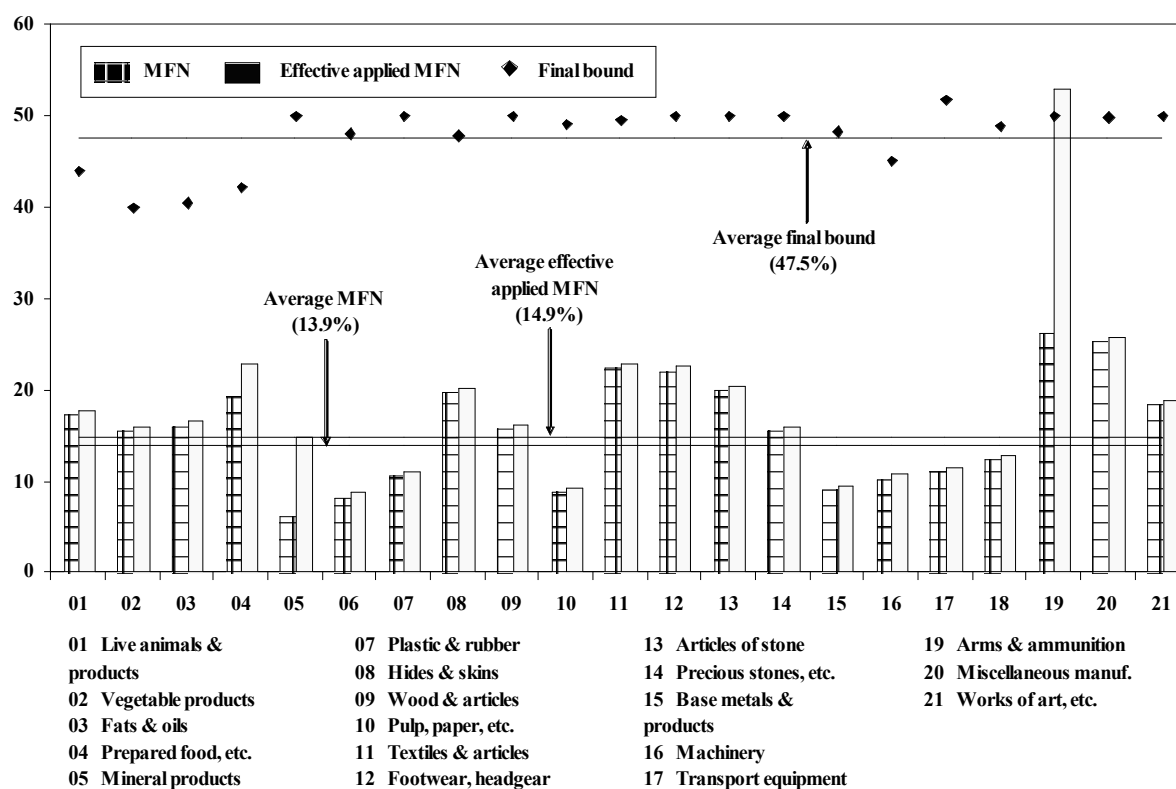
²⁴ WTO document G/MA/IDB/2/Rev.18, 26 March 2004.

²⁵ The items bound at 30% are: pharmaceutical products; fertilizers; disinfectants, insecticides, fungicides, herbicides, pesticides; printed books, booklets, brochures, pamphlets and leaflets; children's picture books and printing books; maps; pumps for liquid; air pumps, vacuum pumps and air or gas compressors, fans; machinery and mechanical appliances, electrical equipment and parts; transmitters, colour televisions; tractors; buses, trucks and trailers; and medical, dental, surgical, and veterinary instruments and appliances. The items bound at 35% are: hand tools and implements. The items bound at 70% are motor vehicles with capacity up to 2,000 cc. The items bound at 80% are motor vehicles with capacity exceeding 2,000 cc.

Chart III.2

Average MFN rates, effective applied rates ^a, and final bound tariff rates, by HS section, 2004

Per cent



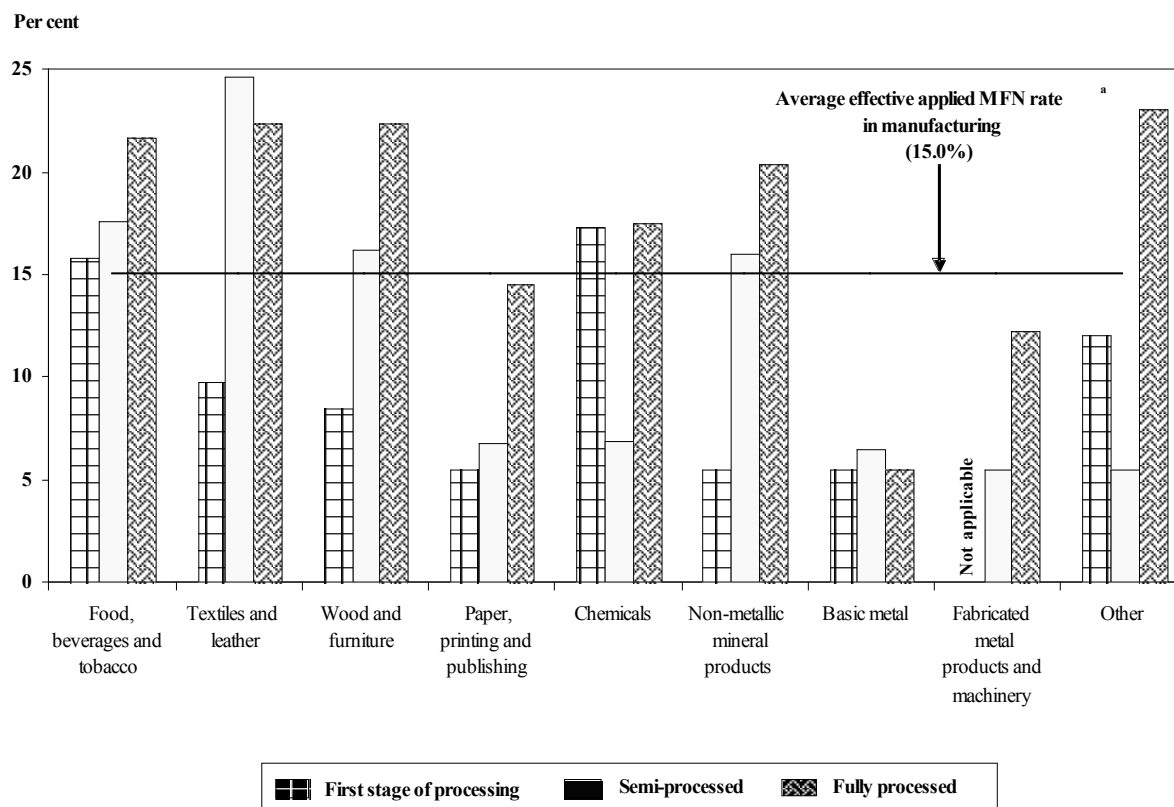
^a Effective applied MFN tariff rates include excise and ECOWAS taxes.

Source : WTO Secretariat calculations, based on data provided by the authorities of Sierra Leone.

(c) Tariff dispersion

98. The potential efficiency losses associated with the customs tariff depend not just on the average effective MFN tariff rates, but also on the dispersion of those rates across products. Currently, 52.1% of Sierra Leone's tariff lines are subject to rates of 5% or 10% while another 47% is at rates of 20% or 30%, (thus reflecting a concentration in less than four rates out of the seven in force, in particular the lowest rates (Chart III.1 and Chart III.3). The effective applied duties (including excise and ECOWAS taxes) range between 0.5% and 60.5%. In 2004, 36 eight-digit HS02 items carried the highest effective applied tariff of 60.5% (mainly alcoholic drinks/preparations, tobacco, arms and ammunition) and four items were subject to the second-highest rate of 50.5% (fireworks and ammunition); two eight-digit HS02 (ammunition and tobacco) are subject to the third-highest rate of 40.5%.

Chart III.3
Tariff escalation by 2-digit ISIC industry, 2004



^a Effective applied MFN tariff rates include excise and ECOWAS taxes.

Source : WTO Secretariat calculations, based on data provided by the authorities of Sierra Leone.

(d) Tariff escalation

99. Sierra Leone's customs tariff shows pronounced escalation, reflecting national and sub-regional policy priorities (Chart III.2). Nevertheless, the average protection levels for fully processed textiles and leather products, basic metal, and fabricated metal products and machinery activities are lower than semi-processed items; average protection for semi-processed products of the chemicals industry is lower than at the first stage of processing.

(e) Other duties

100. Since 1979 in addition to the MFN customs duties, a 30% excise tax has been levied on the c.i.f value of imports of alcoholic beverages (HS sections 2204, 2205, 2207.10.90, 2207.20 and 2208), tobacco products (HS sections 2402.10, 2402.90 and 2403 (except 2403.10.10)), petroleum products (HS sections 2710, 2711, 2712, 2713, 2714, 2715, 2716), fireworks and pyrotechnic articles (HS section 3604) and arms and ammunition (HS sections 9301, 9302, 9303, 9304, 9305, 9306.21, 9306.90 and 9307). In 2003, excise on petroleum products provided around 20% of total income from indirect taxes.²⁶ According to the authorities, the excise tax is a protective measure for local

²⁶ Statistics Sierra Leone (2001).

industries producing the same or similar products. The combined effect of the applied MFN customs duties and the excise tax raises the simple tariff average to an average effective applied rate of 14.9% (Table III.1).²⁷

101. The excise tax applicable to luxury and related goods was abolished in 2002.²⁸

102. All commercial imports from non-ECOWAS countries are subject to an additional 0.5% ECOWAS levy on the c.i.f. value.

(f) Duty and tax concessions

103. Malaria and human immunodeficiency virus (HIV) drugs are exempt from import duty. According to the authorities, there is provision for tax concessions on the importation of plant and machinery and other equipment, specifically for the setting up of activities in the manufacturing, mining, agriculture, and tourism sectors. During 2003, customs duty revenue forgone as a result of duty concessions was Le 70.9 billion (about US\$22.6 million), mainly on imports by NGOs (30%), international organizations (21.5%), embassies (11%), and the Government (2%).²⁹ According to the authorities the basic reasons for government imports under the concession scheme is for economic and social development

(g) Tariff preferences

104. Sierra Leone is expected to grant preferential tariff treatment for products covered under the ECOWAS (Chapter II(6)(ii)(c) and section 2(ii)(b)).

(iv) Other levies and charges

105. According to the NRA, a stamp duty has been levied on bills of lading at a specific rate. Port charges on imports and exports, ranging from Le 500/t (US\$0.18) to Le 1,000/t (US\$0.37/t), are calculated on volume.³⁰

(v) Import prohibitions, restrictions, and licensing

106. Some import restrictions and prohibitions are maintained for health, safety and environmental reasons.³¹ A special permit, issued by the Ministry of Agriculture, Forestry and Food Security, is required for the importation of plants, seeds, soil other than sterilized peat and special rooting compost, and any material mixed with any soil.³² For security reasons, the importation of arms and ammunition and explosives is restricted.

107. So far no replies have been submitted by Sierra Leone to the WTO annual questionnaire on import licensing procedures.

²⁷ ECOWAS tax of 0.5% is also included.

²⁸ Government Budget Speech 2002. Available at: <http://www.sierra-leone.org/budget2002.html> [5 October 2004].

²⁹ Government Budget and Statement of economic and financial policies for the financial year, 2004.

³⁰ Information provided by the Sierra Leone Ports Authority.

³¹ Imports of narcotic drugs and pornographic films and displays are prohibited. Imports of caustic soda, pharmaceuticals, and local currency are restricted.

³² The Agricultural Act (Public Notice No. 66 of 1974) - (cap 185), 12 December 1974.

(vi) State trading³³

108. Total imports by state-owned enterprises (SOEs) were estimated US\$59.7 million in 2003; exports were US\$2.6 million. SOEs are thought to employ almost 6,000 workers. While efforts have been made to privatize or liquidate public firms (Table III.2), state involvement remains in place in certain strategic trade and trade-related activities.³⁴ In 2001, the authorities agreed to restart the divestiture process by approving the Strategic Plan for the Divestiture of State Enterprises, and in 2002 they established the National Commission for Privatisation (NCP) to implement the Plan with the support of the World Bank.³⁵ The role of the NCP is to act as a prudent shareholder, appoint independent boards of directors, manage and prepare all public enterprises for divestiture, and the delivery of efficient services.³⁶ To date no privatization has been concluded (Chapter I(4)(ii)).

Table III.2
State involvement in enterprises, 2004

| Entity | Activity and date of establishment / monopoly rights | Degree of state ownership | Privatization plans |
|------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Goods | | | |
| Forest Industries Corporation | Furniture and logging of timber (1964) | 100% | Divest 80% of its share to a strategic investor, 10% to the general public, and 10% to the Kenema District Council |
| Seaboard West Africa | Flour mill | 0.01% shares, state owns the land. | Sell the Government's share |
| Services | | | |
| Sierra Leone Commercial Bank Limited | Banking (1973) | 100% | Look for a strategic international investor, with a proposed shareholding as follows: strategic investor 52%, Government 20%, employees 5%, and general public 23% |
| National Development Bank Limited | Banking (1966) | 98.98% | Sell the Government share |
| Rokel Commercial Bank | Banking (1998) | 51% | Sell the equity by offering 40% share to a strategic international investor, 6% to the public and 5% to the staff |
| National Insurance Company (NIC) | Insurance and life insurance (1972) | 100% | Majority of the shares to be sold to a strategic investor but making provisions for public participation by Sierra Leoneans |
| National Power Authority (NPA) | National state electricity provider (1982) (<i>de jure</i>) | 100% | Establish a management contract and a regulating body |
| Sierra Leone Telecommunication Company Limited (Sierratel) | Telecommunication (<i>de jure</i>) | 100% | The majority stake of at least 60% to be offered by international tender to investors who pre-qualify as those with a track record in investment in developing countries. The remaining government stake will be gradually divested |
| Guma Valley Water Company | Supply of potable water (1961) (<i>de jure</i>) | 98% and 2% City Council of Freetown | Restructure current management |
| Airport Authority (SLAA) | Airport facilities (1988) (<i>de jure</i>) | 100% | |

Table III.2 (cont'd)

³³ National Commission for Privatisation (2003).

³⁴ In the early 1990s, about 44 public enterprises were engaged in virtually all sectors of the economy. A programme of public enterprise reform and divestiture was initiated in 1993. In 1996, the mandate of the Public Enterprise Reform and Divestiture Commission was terminated due to poor performance.

³⁵ National Commission for Privatisation (2003).

³⁶ Government of Sierra Leone (2002).

| Entity | Activity and date of establishment / monopoly rights | Degree of state ownership | Privatization plans |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------------------------------------------------|
| Port Authority (SLPA) | Port facilities including stevedoring (1964) (<i>de jure</i>) | 100% | |
| Sierra Leone Airlines (SNA) | National airline (<i>de facto</i>) | 100% | |
| Sierra Leone National Shipping Company Limited | Limited cargo clearing and forwarding services, but no stevedoring (1972) (<i>de facto</i>) | 100% | Sell 100% of the equity by tender and allow the management to bid |
| Sierra Leone National Workshop | Railway (1978) | 100% | Joint venture since 2004 (Chapter II(7)) |
| Sierra Leone Road Transport Corporation | Long-distance domestic bus services | 100% | Offer for sale by tender (100% equity) to domestic investors |
| Sierra Leone Roads Authority (SLRA) | Road construction and maintenance (1993) (<i>de jure</i>) | 100% | Sell 60% to a strategic investor and the remainder to the public |
| Mining and General Services Limited (MAGS) | Agent for: international shipping lines, Lloyds of London, clearing and forwarding (import & exports), and international airlines (travel agents) (1956) | 100% ^a | Sell 100% of the equity by tender and allow the management to bid |
| Hotels | Mammy Yoko Hotel | 100% | |
| Sierra Leone State Lottery Company Limited | Lottery (1962) (<i>de jure</i>) | 100% | |
| Sierra Leone Housing Corporation | Construction of houses (1982) (<i>de jure</i>) | 100% | Sell 100% of the equity by tender and allow the management to bid |
| Sierra Leone Postal Services Limited (SALPOST) | Postal services (1990) (<i>de jure</i>) | 100% | Restructure |
| Sierra Leone Broadcasting Department (SLBS/TV) | Broadcasting (<i>de facto</i>) | 100% | Transformation into a corporation |
| Sierra Leone Daily Mail | Newspaper publication (1952) | 100% | Closed, assets being evaluated |
| Government Printing Department | Printing and supply of stationery to Government, and manufacturing educational material to schools. Also small-scale activities for the public (department of the Ministry of Information and Broadcasting) | 100% | Divest between 60-80% of its equity to a strategic investor or through public tender |

a In February 1994, the military government expropriated the 49% shares belonging to private investors, without compensation.

Source: National Commission for Privatisation (2003), *Strategic plan for the divestiture of public enterprises: Implementation Programme (2003-2006)*; and SLEDIC (2004), *An investors guide to Sierra Leone*.

109. Sierra Leone has not notified to the WTO any state-trading activities undertaken by entities within the meaning of Article XVII:4(a) of the GATT 1994.

(vii) Government procurement³⁷

110. Sierra Leone is neither a member, nor observer of the WTO Plurilateral Agreement on Government Procurement.

111. As part of the reform programme launched in 2003, with the support of the World Bank and the UNDP, plans seem to be under way to overhaul the regulatory framework for public procurement and to draft a new comprehensive National Public Procurement Law based on the United Nations Commission on International Trade Law (UNCITRAL) model law. To facilitate ongoing procurement until these comprehensive measures are in place, a set of interim rules and regulations

³⁷ Procurement Reform Executive Secretariat (March 2004).

has been in place since August 2004 to govern government procurement operations, for a period of one year. According to the authorities, during this period a comprehensive government procurement law will be prepared by consultants and approved for implementation.

112. The aim of the 2004 interim rules and regulations governing public sector procurement is to have a set of guidelines for the implementation of good procurement services and to achieve value for money at all times, by ensuring that public funds are spent in a transparent, efficient, and fair manner, based on the best practices in the public procurement arena. The interim rules and regulations must be adhered to by all ministries, government departments, public enterprises, and all other organizations and individuals who carry responsibility for procurement projects in the public sector. They are administered by the Procurement Reform Executive Secretariat, State House.

113. The authorities estimate the government procurement market of Sierra Leone to be about US\$200 million, including procurement through funds from donors.

114. The interim rules and regulations cover: (i) contracts for construction or renovation works of any type; (ii) supply contracts for purchasing, rental or leasing of goods needed for the operation of government services; and (iii) contracts for the supply of services.

Institutional setting and decentralization

115. Steps are under way to decentralize government procurement, which is temporarily centralized at the Interim Central Procurement Unit (ICPU). Since 2004, the institutional setting in this area has consisted of: (i) the National Procurement Reform Steering Committee (NPRSC), with overall responsibility for procurement policies and procedures until new rules are agreed and implemented³⁸; (ii) the Procurement Reform Executive Secretariat (PRES), for administrative support for the reform project, and coordination³⁹; and (iii) the Interim Central Procurement Unit (ICPU), until procuring entities are certified and authority is delegated for decentralized public procurement (not longer than 12 months). The ICPU is to undertake the procurement process for contracts of less than the revised threshold of Le 25 million (US\$9,250). At the end of the 12-month period, or when procurement is delegated to all the procuring entities, the ICPU will be disbanded and the staff reassigned.⁴⁰ The Public Procurement Board (PPB) is expected to review and approve submissions from the ICPU and procuring entities.⁴¹

116. Procurement is to be decentralized to the individual procuring entities within certain thresholds in a phased manner over a period of 12 months from the entry in force of the interim rules and regulations. Each procuring entity is to be examined by the Procurement Reform Executive Secretariat to assess its capacity for delegation in terms of sufficient qualified procurement staff and in accordance with the specified thresholds and procedures (Table III.3). Each procuring entity is required to identify and release for training sufficient procurement staff to be able to carry out public

³⁸ The Vice President of Sierra Leone is the Chairman, and the UNDP, the World Bank, the DFID and the European Union participate, as well as others Ministries.

³⁹ The secretariat will function as an information centre on procurement reform and oversee the work of the Interim Central Procurement Unit and the Public Procurement Board.

⁴⁰ The ICPU will be staffed by two full time procurement officials with supporting administrative staff as necessary. In addition, a shortlist of independent technical advisors (architects, engineers, medical experts, etc.) will be identified and contracted on a retainer basis to provide expert technical advice to staff of the Unit on an ad hoc basis.

⁴¹ Approval will comprise: (i) ensuring that each proposed procurement action is in accordance with the rules and regulations, procedures and instructions; (ii) reviewing the procurement process to ensure that it is transparent, fair, competitive, and provides best value for money; (iii) examining the financial and legal implications of the proposed contract; (iv) reviewing the evaluation process; and (v) ensuring the appropriate funds are available to cover the cost of the proposed contract.

procurement in line with the annual procurement plan; this is to enable them to obtain the required (procurement capacity) certification within 12 months of the entry into force of the interim rules and regulations (i.e. by August 2005).⁴²

Procedures

117. The interim rules and regulations provide for three procurement procedures depending on the contract value involved (Table III.3). All contracts are submitted to the Procurement Reform Executive Secretariat for approval by the Public Procurement Board.

118. Five procurement methods are available for awarding contracts for goods and public works: (i) international competitive bidding; (ii) national competitive bidding; (iii) limited competitive bidding; (iv) shopping; and (v) direct contracting (Table III.4). There are two methods for services contracts: request for proposal, and individual consultant.

Table III.3
Procurement procedures, as from 2004

| | Interim Central Procurement Unit | Public Procurement Board |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Procedure I – Prior to certification of procuring entities, for all contracts valued at less than Le 25 million (US\$9,250) | | |
| Uncertified procuring entity | | |
| Submits an annual procurement plan ^a to the Procurement Reform Executive Secretariat | Reviews the annual procurement plan in consultation with the Budget Bureau of the Ministry of Finance | Approves the Annual Procurement Plan |
| Drafts specifications/terms of reference for each procurement case and submits the requisition to the Interim Central Procurement Unit | Evaluates the specifications/terms of reference | |
| | Prepares the procurement case and submits it to the Public Procurement Board | Reviews and approves the procurement case ^b |
| | Prepares the tender documents, advertises and sources suppliers, receives and opens bids, and evaluates the bids according to the procurement plan and the rules and regulations | |
| | Submits evaluation of bids to the Public Procurement Board according to the standard submission checklist | Reviews the evaluation, and submits its approval to the procuring entity |
| The procurement entity places the contract and is responsible for managing it, with oversight and monitoring by the Procurement Reform Executive Secretariat. | | |
| Procedure II – For procuring entities that have received certification, for all contracts valued at less than Le 25 million (US\$9,250) | | |
| Certified procuring entity^d | | |
| Submits an Annual Procurement Plan to the Procurement Reform Executive Secretariat. The plan is to be prepared in consultation with procuring entity's Procurement Committee ^d | Reviews the Annual Procurement Plan in consultation with the Budget Bureau of the Ministry of Finance | Approves the Annual Procurement Plan |
| Prepares a detailed procurement case plan for each procurement case and submits it to the procurement committee for approval ^b | | |
| The Procurement Committee reviews the detailed case plan and submits its approval to the procurement unit | | |

Table III.3 (cont'd)

⁴² The certification process is not automatic as all procuring entities are regarded as uncertified since the introduction of the interim rules and regulations. It involves an evaluation of each procuring entity by the Procurement Reform Executive Secretariat to ensure that the entity has sufficient resources, expertise and logistics to undertake public procurement. A procurement reform programme is also to offer procuring entities appropriate training and support, whether by outsourcing such functions to external procurement consultants or by mentoring and conducting an in-house programme to build capacity.

| | Interim Central Procurement Unit | Public Procurement Board |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| The procurement unit drafts specifications/terms of reference; prepares the tender documents; advertises and sources suppliers; receives and opens bids; and evaluates the bids according to the procurement plan and the rules and regulations | | |
| The procurement unit submits its evaluation of bids to the Procurement Committee according to the standard submission checklist | | |
| The Procurement Committee reviews the submission and, submits its approval to the procuring entity | | |
| The procurement entity places the contract and is responsible for managing it, with oversight and monitoring by the Procurement Reform Executive Secretariat | | |
| Procedure III – For procuring entities that have received certification, for contracts valued at Le 25 million (US\$9,250) and above | | |
| Certified procuring entity^c | | |
| Submits an Annual Procurement Plan to the Procurement Reform Executive Secretariat. The plan is to be prepared in consultation with the procuring entity's Procurement Committee ^d | Reviews the Annual Procurement Plan in consultation with the Budget Bureau of the Ministry of Finance | Approves the Annual Procurement Plan |
| Prepares a detailed procurement case plan for each procurement case and submits it to the Public Procurement Board for approval | | Review and approval of the detailed procurement case Plan ^b |
| The procurement entity drafts specifications/terms of reference; prepares the tender documents; advertises and sources suppliers; receives and opens bids; and evaluates the bids according to the procurement plan and the rules and regulations | | |
| Submits evaluation of bids to the Public Procurement Board according to the standard submission checklist | | Reviews the submission and, submits its approval to the procuring entity |
| The procurement entity places the contract and is responsible for managing it, with oversight and monitoring by the Procurement Reform Executive Secretariat | | |

- a Must be prepared by each procuring entity and submitted to the Procurement Reform Executive Secretariat at least three months before the close of the preceding financial year. Preparation of the plan must be linked to the annual budgeting process and be in line with budget allocations.
- b For high value cases, or for complex equipment, works or services it may specify that further approval must be sought for the tender documents and the supplier shortlist stages.
- c Includes procurement units (department formally established within the procuring entity to carry out procurement activities of that entity) and procurement committees (group within the procuring entity whose function is to oversee the activities of the procurement unit and to make procurement decisions ranging from review and advice to approval and award of contracts).
- d The Procuring Entity's procurement committee will review and approve submissions from the procuring unit. It will: (i) ensure that each proposed procurement action is in accordance with the rules and regulations, procurement plan, procedures and instructions; (ii) review the procurement process to ensure that it is transparent, fair, competitive, and provides best value for money; (iii) examine the financial and legal implications of the proposed contract; (iv) review the evaluation process; and (v) ensure, through the budget, that appropriate funds are available to cover the cost of the proposed contract.

Source: Procurement Reform Executive Secretariat (2004), *Interim rules and regulations governing public sector procurement in Sierra Leone*, March, Freetown.

Table III.4
Procurement methods, as from 2004

| Procurement of goods and works | |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| International competitive bidding | <p>Suggested threshold value of goods contracts US\$500,000 and over, and works contracts US\$1,000,000</p> <p>The notification shall be posted in an internationally widespread publication and/or media, and may also include internet sites; it should offer bidders sufficient time to respond.</p> <p>Bidding documents are distributed to all interested suppliers^a and issued at a nominal fee that covers only the actual cost of issuing, reproduction, and sending the documents.</p> <p>Bids shall be submitted in sealed envelopes.</p> <p>Bids are opened in front of suppliers or their representatives.</p> <p>The contract is awarded to the supplier who is most qualified, responsive^b, technically acceptable, and offers the best price.</p> |

Table III.4 (cont'd)

Procurement of goods and works

| | |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| National competitive bidding | <p>The international competitive bidding process can be limited to national bidders only if (i) the advantages of an international open bidding are clearly outweighed by the administrative and financial burden; (ii) the contract value is low; (iii) works are geographically scattered; or (iv) the goods and works are available locally below the price of the international market.</p> <p>The procedures are the same as for international competitive bidding except that advertisement is only done nationally, as well as on the Internet. International bidders may compete.</p> |
| Limited competitive bidding | <p>Can be used only if there exists a genuine exigency for the required goods or works. Only a small number of supplier are invited directly to bid (always three or more).</p> <p>This type of bidding needs to be approved by the Public Procurement Board prior to initiating the procurement process. The application must include: a description of the urgency^c; an explanation of how the non-competitive purchase will meet the schedule; and an explanation of the adverse impact on the recipient if the delivery schedule were modified to permit a normal competitive process.</p> <p>Procedures are the same as for international competitive bidding except that qualified suppliers are invited directly to submit their bids.</p> |
| Shopping | <p>A simplified procurement process where at least three quotations are obtained and compared, and used in the following instances: (i) for standard off-the-shelf items with standard specifications; (ii) where the contract value is low; and (iii) to obtain supplies for continuation of existing works.</p> <p>If the items are required on a repetitive basis and the cumulative value of the contract is high, e.g. over Le 12 million (US\$4,400), shopping is not the appropriate method: a competitive bidding process must be used.</p> <p>The basis of an award in the case of shopping is price. A minimum of three quotations must be obtained to ensure that competitive prices are obtained.</p> |
| Direct contracting | <p>Only to be used in the following circumstances: (i) extension of existing works or continuity of successful services (e.g. from one phase to another on the same project, which would be of benefit to the project); (ii) standardization of equipment or spare parts that can only be procured from the original supplier; (iii) proprietary equipment that is available from only one source or the required expertise is unique or proprietary; (iv) the purchase of critically needed components required as part of a larger project; and (v) emergency arising from a disaster or accident, which requires prompt action.</p> <p>The procurement notice will be advertised on the Internet, stating that it is the intention to use direct contracting, stating the reason, and giving suppliers a limited amount of time to lodge any protest.</p> <p>Direct contracting can only be used with prior approval from the Public Procurement Board, and must include the appropriate detailed justification.</p> |

Procurement of Services

| | |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Request for proposal (RFP) | <p>Used when the inputs and/or outputs cannot be quantitatively and qualitatively expressed at the time the invitation is made, e.g. when consulting or similar services are sought. RFP may also be used for purchase of complex goods when the procuring entity is not sure of the functional specifications and wishes to seek proposals. RFP leads to the selection of the proposal that is most responsive to the specified requirements, including price and other factors. Where appropriate, the RFP may indicate that negotiation may be undertaken with respect to one or more proposals prior to the award of a contract.</p> <p>To avoid any bias, a detailed list of evaluation criteria should be developed. With this method, the two-envelope system must be used, i.e. a technical proposal and a financial proposal in two separate envelopes.</p> |
| Individual consultants | <p>To be employed for assignments when: (i) teams of personnel are not required; (ii) no additional outside (home office) professional support is required; and (iii) the experience and qualifications of the individual are the paramount requirement.</p> <p>Terms of reference are to be developed for individual consultants as for consulting firms, including the required qualifications of the consultants.</p> <p>An advertisement is to be published nationally or internationally depending on the requirements.</p> <p>Consultants are selected by comparing a minimum of three qualified candidates; the most suitable is selected taking into consideration value for money.</p> <p>Individual consultants may be selected on a sole-source basis with due justification in exceptional cases such as: (i) tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively; (ii) assignments lasting less than one month; (iii) emergency situations resulting from natural disasters; and (iv) when the individual is the only consultant qualified for the assignment.</p> |

- a The key guidelines for new supplier appraisal are: (i) technical capacity to deliver the goods and/or services as per schedule; and (ii) financial strength. For existing suppliers the performance rating at the post-contract stage is an aid to developing the list of reliable suppliers and developing long-term arrangements. This should concentrate on performance with regard to the following: (i) delivery schedule compliance; (ii) the quality of the product or service provided; (iii) the quality of the after-sales service provided; and (iv) accuracy of documentation, i.e. invoices and speed of response.
- b The term "responsive" means that the supplier meets all requirements i.e. specifications, delivery terms, government terms and conditions.
- c The urgency cannot be the result of slow administrative processing or a general lack of planning.

Source: Procurement Reform Executive Secretariat (2004), *Interim rules and regulations governing public sector procurement in Sierra Leone*, March, Freetown.

119. Basic information concerning the contract (content, method of award, invitation to tender) must be published widely, and appear on the Internet. The invitation to tender must specify the criteria for assessing the bids so that all candidates possess the same information. Several criteria (financial and technical) are taken into consideration for the assessment of bids.

120. The interim rules and regulations do not seem to contain any preferences for domestic suppliers or limitations for foreign bidders.

Procurements complaints

121. Under the interim rules and regulations the procuring entity is to deal with all procurement complaints by suppliers, contractors, and consultants in the first instance. If the matter cannot be resolved, the case is forwarded to the Procurement Reform Executive Secretariat where both the Interim Central Procurement Unit and the Public Procurement Board undertake to examine the case and make a decision. In case of failure, the Procurement Reform Steering Committee is the instance of the last resort. The above procedures, however, do not preclude a complainant from exercising his or her contractual rights in a court of justice or going to arbitration where the provision exists.

(viii) Contingency measures

122. Sierra Leone does not have a legislative and institutional framework for anti-dumping, countervailing or safeguards action. According to the authorities, Sierra Leone is considering developing a national policy and legislative framework for contingency measures in conformity with the ECOWAS harmonized framework. However, Sierra Leone is constrained by a lack of technical capacity to undertake such work. Under the EPA negotiations, ECOWAS has committed to developing a regional legal, policy, and regulatory framework for anti-dumping and safeguard actions. For countries without such a framework, ECOWAS will assist in developing one (Chapter II(6)(ii)(c)).

(ix) Standards and other technical requirements

(a) Standards, testing and certification

123. The institutional framework for standards in Sierra Leone comprises the Standards Bureau (SLSB)⁴³ and the National Standards Council (SLNSC), which was created in 1996 but started operating only in 2000, mainly due to the civil conflict.⁴⁴ The SLSB develops and adopts standards as well as providing testing/quality control services.

124. According to the authorities, the SLSB is seriously under-funded, which has delayed the implementation of activities. Qualified staff need to be recruited and trained in areas such as metrology, standards testing, and quality management. A central laboratory needs to be created and equipped, in order to allow regional laboratories to provide testing services, to provide national coverage to metrology standards testing and quality management activities.

125. The National Codex Committee and the Industrial Standards Board were inaugurated in October 2002 and February 2003 respectively.

⁴³ Information available at: <http://slstandard.tvs.com/> [7 October 2004].

⁴⁴ Standards Act No. 2 of 1996; National Provisional Ruling Council Decree No. 2, 12 January 1996; and Public Notice No. 9 of 24 January 2000 of the Ministry of Trade, Industry and State Enterprises.

126. All standards are mandatory, and come into force 60 days after their publication in the *Official Gazette*. There are currently 82 national standards, awaiting final approval, for agriculture, food, animal and animal products. In principle international standards are used as the basis for the preparation of Sierra Leonean standards. No information was available to the Secretariat on the number, product coverage, and compliance with international norms of compulsory standards. The SLSB has obtained Cabinet's approval to levy charges for its services, but no information was available to the Secretariat on the fee, or the use of this service.⁴⁵

127. All codes of practice, regulations, standards should be published in English in the *Official Gazette*. To date (October 2004), Sierra Leone has not notified any technical regulations or its national enquiry point under the WTO Agreement on Technical Barrier to Trade (TBT). According to the authorities, notification of Sierra Leone's enquiry point (under Article 15.2 of the TBT Agreement) is to take place soon (Chapter II(5)). The SLSB is aware of the action required for meeting TBT and Sanitary and Phytosanitary (SPS) requirements.

128. Sierra Leone is not a member of the International Organization for Standardization (ISO), due to financial constraints. According to the authorities, the 2005 SLSB budget includes a special provision to apply for membership to the ISO.

(b) Sanitary and phytosanitary measures

129. The SLSB is mandated to coordinate all standards activities in Sierra Leone, and is the national Codex contact point. However, the Environmental Department of the Ministry of Health and Sanitation is entrusted with the implementation of sanitary regulation; and the Phytosanitary Division of the Ministry of Agriculture, Forestry and Food Security for phytosanitary measures. All food standards in Sierra Leone are based on Codex Standards.

130. According to the authorities, in 2004 technical assistance was requested from the Food and Agriculture Organization to develop a food law; Sierra Leone also requested the provision of four experts, four national counterparts, an equipped laboratory, and relevant monitoring and enforcement infrastructure.

131. As a least developed country (LDC), Sierra Leone had a transition period of five years (until 1 January 2000) to bring any measures not in conformity and affecting imports into line with the relevant provisions of the Agreement on Sanitary and Phytosanitary Measures. Sierra Leone has not yet notified the WTO of its sanitary and phytosanitary legislation.

(c) Marking, labelling, and packaging

132. Sierra Leone has no special marking, labelling, or packaging requirements other than the Price Tag Order 1956, which requires traders to display prices on the shelves to help reduce the exploitation of vulnerable or illiterate citizen, and the Weights and Measures Act 1961.⁴⁶

(3) MEASURES DIRECTLY AFFECTING EXPORTS

(i) Registration and documentation

133. All goods exports are subject to lengthy, complicated procedures (Table III.5).

⁴⁵ Standards Act No. 2 of 1996.

⁴⁶ Act No. 22 of 1961 (Part VI Sections 32 – 35).

Table III.5
Export procedures, 2004

| | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | The exporter submits sales contract/pro-forma invoice as proof of an export order to Customs Department. |
| 2. | The exporters fill out Exports Forms C1 and C2. These forms are prepared in seven sets. A repatriation of export proceeds form, addressed to the exporter's local bank, is also filled out. The forms are given to the exporter. |
| 3. | The exporter submits both forms C1 and C2 to his local bank. The local bank completes the repatriation form, signs and stamps it, confirming that export proceeds will be collected by the bank. |
| 4. | The exporters of agricultural products (cocoa, coffee, piassava, kolanuts, ginger, cashews) go to the Sierra Leone Commercial Bank to pay 2.5% of the export value into the "marketing fund account" of the Ad Hoc Committee on Produce, as required. This amount is payable in U.S. dollars or in the currency of the pro-forma invoice/sales contract if not denominated in U.S. dollars. |
| 5. | The exporter armed with all the documents and receipts from steps 1 to 4 proceeds to the Chamber of Commerce and applies for a mandatory Certificate of Origin which is issued for a fee of Le 50,000, only for agricultural products. |
| 6. | The exporter returns to the Custom Department and submits all forms and receipts from steps 1 to 5. |
| 7. | The customs Department issues an EUR I Form ^a to the exporter. Permission is then granted to the exporter to export his products. |
| 8. | The following institutions/departments are required to witness the stuffing/loading of the goods into the container(s): (i) customs office; (ii) shipping agency; (iii) produce ad hoc committee; (iv) produce inspection division; (v) bureau of standards, and (vi) insurance company (only for c.i.f. contracts). |
| 9. | The goods are transferred to the port of loading and loaded on board a ship. |
| 10. | The exporter collects bill of lading ^b from ship's master. |
| 11. | The exporter presents all shipping documents to local bank or posts them to the buyer, depending on the terms of trade. |
| 12. | The exporter presents all shipping documents to local bank or posts them to the buyer, depending on the terms of trade. |

a Form required for exports to the European Communities and ACP Countries.

b Bills of lading are usually issued in sets of three originals and three non-negotiable copies. When goods are carried by air, an air-consignment note will be issued. Both documents are issued free of charge.

Source: SLEDIC (undated), *The Beginners' Guide to Exporting*.

134. The Chamber of Commerce, Industry & Agriculture issues a mandatory certificate of origin and certifies other export documents against payment of a Le50,000 (US\$18,5) fee for exports to ECOWAS countries and to the EC.

135. Diamond exporters must be licensed by the Ministry of Mineral Resources. The Government's Gold and Diamond Office (GGDO) handles the certification procedures for all diamonds exported legally from Sierra Leone. As from 1 January 2003 a certificate of origin known as the Kimberly Process Certification Scheme has been mandatory (Chapter IV(3)(i) and Box IV.1).

136. To benefit from the African Growth and Opportunity Act (AGOA) of 2000, as from April 2004, Sierra Leone's producers or exporters of textile and apparel articles are required to register with the Ministry of Trade and Industry. A textile certificate of origin and a visa for textile and apparel articles that originate in and are exported from Sierra Leone is mandatory and is issued by the Commissioner General (Chapter II(6)(iii)).⁴⁷ An AGOA Secretariat has been established in the MTI and some 26 firms have registered under this scheme.

(ii) Export taxes, charges and levies

137. Most export taxes were eliminated in 1993. However, exports of cocoa and coffee products remain subject to a levy, currently set at 2.5% of the f.o.b. export value, payable to the Government via the state Ad Hoc Committee on Produce.

⁴⁷ Statutory Instrument - Export Control (textiles and apparel articles) Regulations 2004, *Supplement to the Sierra Leone Gazette*, Vol. CXXXV, No. 16, 11 March 2004.

138. As from 1980 a 3% tax has been levied on all diamond exports valued by GGDO, in conjunction with Diamond Counsellors International (Chapter IV(3)(i)(b)). Under the Mine Policy of 1998, revenue from this tax is spread over five destinations/recipients: income tax (0.75%); Diamond Area Community Development Fund (0.75%), Consolidated Fund (0.75%); Independent Valuer Fee (0.45%), and Monitoring Fee (0.30%) (Chapter IV(3)).

139. Diamonds exported under special dispensations are charged an extra 2% tax in lieu of a licence fee⁴⁸, in addition to the usual 3% export tax (Chapter IV (3)).⁴⁹

(iii) Export prohibitions, restrictions, and licensing

(a) Export restrictions and licensing

140. Export restrictions are maintained for health, safety, and environmental reasons. A special permit issued by the Ministry of Agriculture and Natural Resources is required for the exportation of plants and charcoal (Chapter IV(2)(iv)).⁵⁰

141. A phytosanitary/fumigation certificate has to be issued by the Ministry of Agriculture and Food Security certifying that shipments of perishable goods meet the relevant international health requirements, or have been fumigated with the prescribed chemicals under international requirements. The Ministry charges a fee for fumigating the goods, as well as for issuing the certificate.

142. Gold and diamonds, as well as any other goods or materials as may be prescribed by law, are subject to export licensing requirements (section (i) and Chapter IV(3)).⁵¹

143. During 2002 and 2003 foreign nationals were subject to higher fees for diamond export licences than those charged to locals. This discriminatory policy was adopted in order to encourage nationals to participate in the sector, which is considered vital to the economic development of Sierra Leone.⁵² A flat rate has been applied since 2004.

(iv) Export-processing zones

144. Sierra Leone is working on the development of export processing zones, but no legislation has been approved yet (Chapter II(7)).

(v) Export subsidies and promotion

145. According to the authorities, Sierra Leone does not operate any export subsidy scheme in as much as support for production is difficult to envisage because of limited budgetary resources. The authorities indicate that they do not provide any direct subsidies for the export of agricultural products. Nevertheless a series of fiscal incentives are in place (Chapter II(7)).

⁴⁸ According to the authorities, special dispensations are one-off exports by exporters who want to test the market (allowed to export once only) or tourists looking to export only one diamond.

⁴⁹ Government Gold and Diamond Office (2003).

⁵⁰ The Agricultural Act (Public Notice No. 66 of 1974) - (cap 185), 12 December 1974; and the Rural Area Act (Public Notice No. 16 of 1990) - (cap 75), 31 December 1990.

⁵¹ Article 9 of the Investment Promotion Act, 2004.

⁵² Government Gold and Diamond Office (2003).

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Taxation

146. According to the Ministry of Finance, during the first half of 2003, Sierra Leone relied heavily on indirect taxation (including taxes on imports), which provided about 60% of government revenue; personal and corporation taxes accounted for 12% and 14%, respectively.⁵³

(a) Indirect taxation

147. At present, Sierra Leone levies a 17.5% sales tax (except on plant and machinery)⁵⁴, introduced in 1995, (reduced from 20% in August 2003); and excise taxes on the production, manufacture, and sale of petroleum products, certain alcohol, and tobacco, introduced in 1979 (section (2)(iii)(e)). These indirect taxes are applied on both domestic and foreign goods.

148. Other indirect taxes in force are the foreign tax (on travel), the restaurant tax (10%); the entertainment tax (10%); and the telephone tax on international calls (10%).

149. A move towards a broad-based consumption tax, such as a value-added tax (VAT), is under consideration, in the medium-term (by 2007), to enhance tax compliance, improve the business environment and generate higher revenues (Chapter I(4)(i)).⁵⁵

(b) Direct taxation

150. The corporate profit tax of 30% for all sectors, since 1 April 2004, and is yet to be implemented.

151. Since 1 April 2002, the threshold for personal income tax is Le 1,000,000 (US\$370), up from Le 800,000, and the top marginal rate for employees, self-employed, and property owners is 35%, down from 40%; the annual payroll tax is set at Le 1,000,000 for non-ECOWAS citizens and Le 100,000 for ECOWAS citizens (Table II.1). For 2004, the resulting tax revenues forgone of these changes in personal taxes was estimated at about Le 8 billion (US\$3 million); the estimated net revenue forgone on corporate tax is estimated at Le 3.8 billion (US\$1.4 million).⁵⁶

(ii) Production assistance

152. Sierra Leone has provided assistance to domestic producers across the board in the form of tax incentives; new legislation on these incentives entered into force on August 2004, replacing the 1969 legislative framework, and other laws.⁵⁷ Tax incentives for agri-processing activities are tied to a trade-related investment measure (TRIM) requiring 60% of local input or value added (Chapter II(7), Table II.1 and Chapter IV(2)(ii)(b)).

⁵³ Ministry of Finance (2003).

⁵⁴ The valuation basis for the sales tax is the ex-factory price of domestic manufactures and the c.i.f. price on imports plus duties (excise, and import).

⁵⁵ Ministry of Development and Economic Planning (2001).

⁵⁶ Government Budget (2003).

⁵⁷ The Non-Citizens (Trade and Business) Act of 1969.

(iii) Competition policy

153. Sierra Leone has no domestic legislation on competition, but the authorities intend to develop such a policy and move forward with a legislative programme. According to the authorities, a consumer protection agency was created, but is run by a non-governmental organization.

(iv) Intellectual property rights

154. Sierra Leone is a member of the African Regional Industrial Property Organization (ARIPO).⁵⁸ ARIPO was established by the 1976 Lusaka Agreement; its headquarters are in Harare (Zimbabwe).

155. Since 1986 Sierra Leone has been party to the Convention establishing the World Intellectual Property Organization (WIPO), signed in Stockholm (1967). In 1997, Sierra Leone expanded its commitments on protection of intellectual property rights (IPRs) by becoming a party to the WIPO Paris Treaty, the Patent Cooperation Treaty, and the Madrid Agreement concerning the international registration of marks⁵⁹, it now participates in three out of 21 treaties administered by the WIPO.

156. As a least developed country, Sierra Leone has been given an extended time-limit, up until 2006, for the full implementation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). According to the authorities, the steps taken to comply with TRIPS obligations are: the creation of a committee for TRIPS issues⁶⁰; a draft Patents and Industrial Designs Act, which is being analysed; plans to amend the Trade Marks Act (Chapter 244); actions to sensitized stakeholders. The TRIPS obligation programme will first concentrate on Patents, then trade marks, followed by copyright enforcement and infringement.

157. According to the authorities, to date, the only technical assistance has been provided through WIPO; it comprises examining drafts and providing comments.

Institutional issues and enforcement action

158. Since 1913, the administration of IPR registration has been carried out by the Office of the Administrator and Registrar-General.

159. The authorities indicate that IPR rules on border measures were drawn up and included in the Copyright Act, 1965. It seems that, due to lack of means, there is no effective enforcement of this law.

160. According to the authorities, only around ten IPR-related cases have gone to court in the past decade. The majority of cases are settled before reaching court.

⁵⁸ The other members of the Lusaka Agreement are Botswana, the Gambia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. Information available at: <http://www.aripo.wipo.net> [23 May 2004].

⁵⁹ Information available at: <http://www.wipo.int/treaties/en/convention/index.html> [24 May 2004].

⁶⁰ The Committee is responsible for the computerization of records.

(b) Industrial property

Patents and utility models

161. Since December 1982, under ARIPO's Harare Protocol, the substantive examination of patentability is carried out by the ARIPO office.⁶¹ If the requirements for patentability are met, the examination creates a presumption of validity of the patent in the territories designated by the applicant; a territory must provide reasons in writing for rejecting the validity of the patent within six months. Legislation regarding patent protection does not cover agricultural or pharmaceutical products. On industrial designs, ARIPO examinations focus on questions of form (as opposed to those of substance considered in relation to patent applications). If these requirements are satisfied, then the industrial design is registered, conferring protection on the design amongst all ARIPO members. Sierra Leone has not ratified the Harare Protocol.

162. Patent registration involves the re-registration of patents that have already been granted in the United Kingdom.⁶² Any grantee of a patent in the United Kingdom, or person deriving his right from such grantee may apply to have the patent registered in Sierra Leone within three years of the date of its issue. All applications should be accompanied by a certificated copy of the specification of the U.K. patent and a certified copy from the Comptroller General of the U.K. Patents Office, giving full particulars of the issue of the patent. Upon payment of the prescribed fees, the Registrar-General issues a certificate of registration. No patents have been granted to date.

Protection of plant varieties

163. Sierra Leone has not ratified the International Union for the Protection of New Varieties of Plants (UPOV).⁶³

Trade marks

164. The Banjul Protocol on Marks establishes a trade-marks filing system along the lines of the Harare Protocol.⁶⁴ Under the Banjul Protocol an applicant may file a single application either in one of contracting states or directly with the ARIPO Office and designate in the application the states in which the mark is to be protected. Since 1997, the Protocol has been extensively revised in order to make it compatible with the TRIPS Agreement. According to the authorities, Sierra Leone is still considering its application. It is unsure whether the Banjul Protocol would be beneficial, especially as Sierra Leone has already acceded to the Madrid Agreement.

165. Under the Trade Marks Act⁶⁵, protection is afforded for 14 years from the date of application and may be renewed for an additional period of 14 years. Protection covers a word or device, and a stereotype block of the trade mark. The print of the trade mark is sent to the Registrar, and the application is allotted a number. The application should state the goods for which the trade mark is to be registered. The application is then advertised by the Registrar in the *Sierra Leone Gazette*, first as 'received' and then as 'accepted', unless the application is refused by the Registrar, in which the

⁶¹ In December 1982, the Administrative Council of ARIPO adopted the Protocol, it entered in force in 1984.

⁶² Patent Act No. 21, Chapter 247 of the Laws of Sierra Leone 1960, as amended by the Laws (Adaptation) Act No. 29 of 1972.

⁶³ Information available at: <http://www.upov.int/en/about/members/pdf/pub423.pdf> [11 June 2004].

⁶⁴ The Administrative Council of ARIPO adopted the Protocol in 1993, it entered into force on 6 March 1997 for Malawi, Swaziland, and Zimbabwe, and in 1999 for Lesotho and Tanzania.

⁶⁵ Chapter 244 of the Laws of Sierra Leone (Vol. IV, with the Trade Mark Rules in Vol. VIII).

reasons for such a refusal should be stated in writing. The decision of the Registrar is subject to appeal to the Courts.

166. When an application for registration of a trade mark has been accepted, or any opposition has been decided in favour of the applicant, the Registrar will register the trade mark. This will take about six to eight months. Failure to renew a trade mark will lead to its removal from the Register.

167. According to the authorities the Merchandise Marks Ordinance (Chapter 245), dated 13 February 1956 is still applied. There is proposed legislation on patents and designs (currently drafted and with the Law Officers Department) and trade marks (still under consultation)

(c) Other intellectual property

168. The Copyright Act of 1965 provides the legal framework in Sierra Leone for original works of sound recordings, cinematograph films, and broadcasts.⁶⁶ Copyright protection extends for fifty years from the end of the calendar year in which the author died. In 1972, national legislation/regulations on trade marks, geographical indications, industrial designs, and patents were amended by the Laws (Adaptation) Act No. 29.

(v) Environmental issues

169. Sierra Leone adopted a National Environmental Policy in 1994, and the Environment Protection Act in 2000, to achieve sustainable development through sound environmental management.⁶⁷ The major areas for implementation of this policy are: land tenure, land use, and soil conservation; water resources management; forestry and wildlife; biodiversity and cultural heritage; air quality and noise; sanitation and waste management; toxic hazardous substances; mining and mineral resources; costal and marine resources; working environment (occupational health and safety); energy production and use; settlements, recreational space, and green belts; public participation; quality of life; and gender issues and the environment. An Environmental Impact Assessment Licence needs to be obtained from the Environmental Department before any new business establishment may start operations.

⁶⁶ The Act No. 28 dated 6 August 1965, substitute the provisions of the Copyright Act 1911.

⁶⁷ Ministry of Lands, Housing, Country Planning and the Environment.

IV. TRADE POLICIES BY SECTOR

(5) OVERVIEW

170. In the short period since the termination of its civil conflict, Sierra Leone has sought to revive key sectors of the economy, such as agriculture and mining.

171. Sierra Leone's labour-intensive agriculture sector seems to be recovering progressively from the damages of the civil conflict (1992 to 2002) and maintains its pre-conflict dominant role in the economy, accounting for almost half of GDP. Despite some improvement, in particular, in cereals production, Sierra Leone is now a net food-importer and food-aid recipient. Government intervention concentrates on a few policy instruments. At the border, average applied MFN tariff protection for primary/unprocessed agricultural products is somewhat higher than the average overall tariff protection level. The availability of support, in the form of free distribution of seedlings and other inputs, is important in determining the surface area planted. Domestic rice production is protected at the border with a relatively high tariff (15%) and reference value. Domestic support has also been granted through tax incentives, in addition to those available to other sectors, and a local-content requirement on agri-processing activities (Chapter II(7) and Chapter III(4)(ii)). Export taxes have been levied on a few commodities (coffee, cocoa). Special permits for the production, transport, and exports of fuel wood and/or charcoal are used against deforestation, which has progressed rapidly in recent years.

172. Sierra Leone's vast mineral resources and reserves remain among the key elements in its development prospects. Diamonds continue to be the main export commodity and foreign-exchange earner, accounting for more than 90% of total exports (mainly to Belgium). Since 2000, mandatory certificate-of-origin requirements have been implemented (Kimberley process certification scheme as from 2003) with considerable effect on the registered diamond trade and fiscal revenue. During 2002 and 2003, higher diamond export-licence fees were charged to foreigners than to nationals, in order to encourage participation of the latter in the sector; these taxes were replaced by a flat rate as from 2004. An export performance incentive reducing the 3% export tax rate has been in place for diamond exports as from 2003. *Ad hoc* tax concessions have been granted for restarting the mining of rutile. As from 2001, a Diamond Area Community Development Fund has re-allocated diamond-related revenue to mining communities.

173. In light of Sierra Leone's fragile economy, its dependence on increasingly expensive oil imports for, *inter alia*, electricity production and transportation, constitutes, to some extent, a developmental constraint. The National Power Authority, a state monopoly, is responsible for electricity generation, transmission, and distribution; a hydroelectric power plant is to be operational by the end of 2006. Electricity tariff differentials penalize industrial consumers, who are charged rates up to 30% higher than other consumers.

174. Manufacturing, composed mainly of small and medium-sized enterprises, remains under-developed. Border protection, is confined to tariffs, which attain their highest levels on processed food, beverages, textiles, furniture, non-metallic mineral products, and other manufactures.

175. Services account for one quarter of Sierra Leone's GDP. Sierra Leone has comprehensive GATS commitments; an MFN exemption is in force with respect to its sub-regional preferential arrangements. The introduction of prudential requirements, independent supervision and rural bank reforms have marked the finance sector since 2000. In telecommunications, two private operators have run the mobile telephony networks since 1990. Since 1999, Sierra Leone has participated in the

Yamoussoukro Initiative on the gradual implementation of an “open skies” agreement in order to liberalize air transport of passengers and cargo.

(6) AGRICULTURE, FORESTRY AND FISHERIES

(i) Features

176. During the decade of civil unrest and conflict (1991-02), agricultural activities were disrupted throughout Sierra Leone. Between 1995 and 2003, despite fluctuations in output, labour-intensive subsistence agriculture maintained its dominant role in the economy and in 2003 it accounted for 47.9% of GDP (Table I.3)⁶⁸, and provided work for three quarters of the total labour force.⁶⁹ The sector's share in total exports was 3.2% in 2003, (3.3% in 2002 and 1.1% in 2001) (Chart I.2).⁷⁰

177. The sector is predominately rain-fed; the main food crops are rice, maize, sorghum, millet, and benniseed (small oval seeds of the sesame plant). Agricultural activity is carried out mainly by small, family farms, which use traditional methods with few inputs and a low degree of mechanization.⁷¹ Out of a total of 5.24 million hectares of arable land, only about 12-15% is under crop production.⁷² Farmers depend on the Government and non-governmental organizations (NGOs) for their supply of seeds; the surface area planted is largely determined by the assistance capacity of these agencies.

178. According to the Food and Agriculture Organization, there has been a strong recovery since 2000 in food crops such as cassava, sweet potato, and groundnuts.⁷³ The resettlement of the displaced farming population is expected to continue, thus supporting the recovery trend in food production.

Self-sufficiency and food security issues

179. Sierra Leone, which was almost in self-sufficient food before 1990, has become dependent on imports and food aid. Food imports consist largely of processed food items, i.e. rice and animal and vegetable oils.⁷⁴ The continued decline in output has had drastic effects on food prices and rural incomes. Production costs for basic food items rose more than four-fold between 1991 and 2001 due to high inflation, the fragile economy, and a weak exchange rate.⁷⁵

180. The overall situation in food security has improved progressively since 2001, as stability has allowed the return of displaced farmers to their old homes.⁷⁶ Overall self-sufficiency in cereals increased from 30% in 2001 to 43% in 2003; and by the end of 2004, domestic production was

⁶⁸ For 2000, the regional average level for sub-Saharan Africa was 16.7%. See Sierra Leone Central Statistics Office (2001) online information. Available at: <http://www.sierra-leone.org/cso2001-nationalaccounts.html> [23 April 2004].

⁶⁹ Statistics Sierra Leone (2001); and Earth Trends (2003).

⁷⁰ Ministry of Finance (2004), Table 2.

⁷¹ According to the authorities 75% of the farms have less than 3 ha (Ministry of Trade, 2004).

⁷² FAO (2002), *Special report "crop and food supply situation in Sierra Leone"*, February. Available at: <http://www.fao.org/DOCREP/004/X4425E/X4425E00.HTM>, [28 May 2004].

⁷³ Ministry of Finance (2004).

⁷⁴ Ministry of Finance (2004).

⁷⁵ Ministry of Development and Economic Planning (2001).

⁷⁶ The World Food Programme (2004a).

expected to cover 54% of national needs.⁷⁷ During 1998-00, net cereal imports and food aid represented an annual average of 50.2% of total consumption.⁷⁸

181. Between 1994 and 2003 Sierra Leone received 556,200 tonnes of food aid (cereals and non-cereals).⁷⁹ In 2003, the FAO implemented a rehabilitation programme that delivered 54,537 tonnes of assorted food commodities (53,642 tonnes in 2002 at a cost of US\$29.8 million), mainly from the United States (76.5%), Japan (8.9%), and the EC (6.4%).⁸⁰ During 2004, 128,673 tonnes of assorted food commodities were imported under the United Nations World Food Programme (Protracted Relief and Development Food Aid), to ensure food assistance to refugees, returnees, and internally displaced persons (IDPs).

182. According to the United Nations World Food Programme, in 2003 the main risks to food security in Sierra Leone were: (i) deforestation, caused by over-harvesting of timber, expansion of cattle grazing, and slash-and-burn agriculture; (ii) lack of substantial foreign aid to revive the agriculture sector, particularly smallholder agriculture; (iii) lack of tools and maintenance services, and low-quality planting seed; (iv) inadequate support for seed multiplication activities and other planting materials; (v) inadequate access to food markets as a result of poor road infrastructure, other marketing limitations such as lack of storage capacity, processing facilities, coupled with low purchasing power and inadequate credit facilities for farmers; (vi) delay in shipping and ruptures in the food pipeline; and (vii) sandstorms and dust storms.⁸¹ The authorities aim to secure the delivery of basic food for the entire population by 2007, through the following policy objectives: (i) increasing and diversifying domestic food production; (ii) increasing agriculture productivity, rural income, and employment, while ensuring adequate protection of the environment; and (iii) maximizing foreign exchange earnings from the agriculture sector.⁸²

183. According to the authorities, Sierra Leone does not maintain strategic stockpiles for basic foodstuffs.

(ii) Main policy issues

Objectives

184. As stipulated in its 2001 Interim Poverty Reduction Strategy Paper (IPRSP)⁸³ (Chapter I(2)(i) and Chapter II(4)), Sierra Leone's overall objective is to promote sustainable growth of agricultural output so as to restore food security and generate tradeable surpluses. The strategy consists of increasing farm accessibility and productivity; improving farm incentives and security in the countryside; improving access to land, farming implements, and inputs; facilitating access to credit; increasing private participation; rehabilitating partially developed inland valley swamps; and providing returnees and IDPs with basic agricultural inputs and services.

⁷⁷ The World Food Programme (2004a).

⁷⁸ This ratio indicates whether the country is able to produce sufficient grain for domestic consumption, it is calculated by dividing net imports by total cereal consumption (production plus imports minus exports).

⁷⁹ World Food Programme (2004b).

⁸⁰ See also World Food Programme (2004a).

⁸¹ World Food programme (2004a).

⁸² FAO (2004a).

⁸³ Ministry of Development and Economic Planning (2001).

(a) Border measures

Average nominal tariff protection

185. The average applied MFN tariff for the agriculture sector is 15.1% (the effective applied MFN tariff, including the excise tax and ECOWAS levy, for the sector is 15.6%)⁸⁴; this is higher than the average MFN rate for all products, which is 13.9% (Chart IV.1). Sierra Leone bound tariffs for agricultural products at a ceiling rate of 40%, except for some items at rates of 30% and 80% (Chapter III(2)(iii)(b)).

Non-tariff border protection

186. Imports of agricultural products/inputs (plants, seeds, soil other than sterilized peat and special rooting compost, and any material mixed with any type of soil) have been subject to special import-licensing requirements for health, safety and environmental reasons (Chapter III(2)(v)).

Export taxes

187. Sierra Leone applies an 2.5% export tax on certain commodities (cocoa and coffee products) (Chapter III(3)(ii)).

Export restrictions

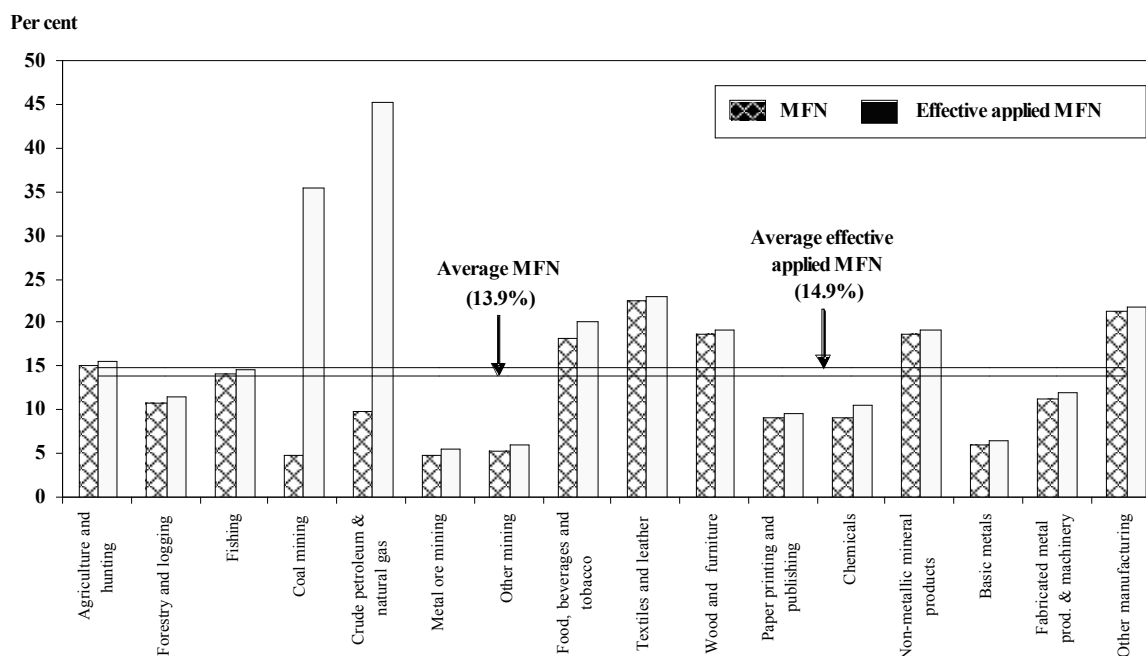
188. Sierra Leone regulates the export of certain commodities (plants and charcoal (section (2)(iv)) through special permit requirements. Exports of perishable goods require phytosanitary/fumigation certificates (Chapter III(3)(iii)).

(b) Domestic support measures

189. The sector has benefited from domestic support in the form of additional tax incentives (e.g., corporate tax breaks) compared to other sectors; incentives also available to other sectors include duty and tax concessions on imports of raw materials, plant and machinery, etc. as well as loss write-off (Table II.1). Agriculture and forestry activities are exempt from the corporate tax, for a ten year period (Table II.1, Chapter II(7), and Chapter III(4)(iii)). Free seedlings and other inputs and equipment have been distributed to farming communities (section (2)(i)). To benefit from tax incentives, agri-processing activities should meet a 60% local input or value-added requirement. Sierra Leone has made no notifications to the WTO Committee on Agriculture to date.

⁸⁴ This tariff average, which is based on the two-digit ISIC category, is lower than that indicated in Table III.1 due to different product classification; the average of 16.5% in Table III.1 is based on the HS nomenclature.

Chart IV.1
Tariff averages by 2-digit ISIC category, 2004



Note: Effective applied rates include excise taxes and ECOWAS taxes.

Source : WTO Secretariat calculations, based on data provided by the authorities of Sierra Leone.

(iii) Selected crops

Rice

190. Rice is the most important food crop in Sierra Leone and accounts for 82% of the population's food intake.⁸⁵ Domestic rice production meets 70% of domestic requirements. According to an FAO survey on food production, between 2000 and 2002, the rice acreage expanded by 47%. In 2003, rice fields covered some 180,000 ha. and annual production was about 200,000 tonnes, with an average yield of 1.3 tonnes/ha.⁸⁶ Domestic rice is protected at the border with a relatively high tariff (15%) and reference value (Chapter III(2)(ii)(b)).

191. According to the FAO, sustainable rice production will depend seemingly on greater support for input supply and output marketing, and development of lowland (Inland Valley Swamp) rice production.⁸⁷

192. Since 1988, private traders have been allowed to import and market rice on the domestic market; until then, rice imports and marketing, were the monopoly of the now defunct state enterprise Sierra Leone Produce Marketing Board (SLPMB).⁸⁸

⁸⁵ Annually consumption of rice in Sierra Leone is 530,000 tonnes. Information available at: http://web.idrc.ca/en/ev-35670-201-1-DO_TOPIC.html [7 June 2004].

⁸⁶ According to the FAO, the target of achieving pre-war subsistence production levels fell short in 2003 due in part to limited funding support in 2003 (FAO, 2004a).

⁸⁷ FAO (2004b).

Cocoa and coffee

193. Cocoa and coffee are the main export crops, together representing 2.8% of total exports in 2003. In 2003, cocoa and coffee production rose to 2,750 tonnes, (350 tonnes in 2002) and 540 tonnes (520 tonnes in 2002) respectively. The production and export levels remain lower than those recorded in pre-war years.⁸⁹ An export tax of 2.5% is levied on these products (section (2)(ii)(a)).

194. Sierra Leone signed the 1980, 1986, and 1993 International Cocoa Agreements. It is not a member of the International Coffee Organization and does not participate in the International Coffee Agreement.⁹⁰

(iv) Forestry

195. Since 1990, deforestation has progressed rapidly in Sierra Leone as a result of increased demand for farmland and fuel wood⁹¹, along with pressure from the timber industry; from 1990 to 2000 the annual average deforestation rate was at 2.9%.⁹² In 2003 forest covered 20% of Sierra Leone's land area, down from more than 75% ten years ago.

196. Forestry policy aims primarily to develop and conserve forest areas for the protection of soil and water resources. It is implemented through the 1988 Rural Area Act.⁹³ The Forestry Division of the Ministry of Agriculture, Forestry and Food Security is responsible for the forestry sector.

197. Since 1 July 1990, two mandatory special permits have been required (issued by the Ministry of Agriculture, Forestry and Food Security). A mandatory special permit valid for a period not exceeding one year, concerns the transportation of more than 100 kg. of fuel-wood or 50 kg. of charcoal in a single load.⁹⁴ The second permit applies to the production and export of charcoal (Chapter III(3)(iii)(a)). The export restriction on plants and charcoal is to minimize deforestation and to prevent the extinction of tree species used for charcoal production. Some of these tree species might be used as medicinal plants to cure various diseases in Sierra Leone. According to the authorities, a reafforestation fund was created, and in 1985 a national tree planting day (5 June) was established.⁹⁵

(v) Fisheries

198. Fisheries accounted for around 11% of Sierra Leone's GDP in 2003. The main catch comprises shrimp, cuttlefish, tuna, and spiny lobster. Although some exports are registered, estimated at US\$13.6 million in 1998⁹⁶, fishing is essentially at subsistence level; frozen shrimps constitute the highest foreign-exchange earner amongst marine products. Since 1995, small-scale traditional fishing provides more than 70% of fish consumed locally and employs around 30,000 persons.

⁸⁸ FAO (1997).

⁸⁹ Ministry of Finance (2004).

⁹⁰ Information available at: <http://www.icco.org/members.htm>, and <http://www.ico.org/frameset/icaset.htm> [19 October 2004].

⁹¹ Fuel-wood means any part of woody plants used as a source of energy for purposes such as cooking, heating or power production.

⁹² Information available at: <http://www.fao.org/forestry/foris/webview/forestry2/index.jsp?siteId=5081&siteTreeId=18308&langId=1&geoId=2> [7 June 2004].

⁹³ The Forestry Act No. 7 of 1988, Public Notice No 17 of 1990, published 31 December 1990.

⁹⁴ The Forestry Act No. 7 of 1988, Public Notice No 17 of 1990, published 31 December 1990.

⁹⁵ The Forestry Act No. 7 of 1988, Public Notice No 17 of 1990, published 31 December 1990.

⁹⁶ FAO (2000).

199. The sectoral strategy is to increase the supply of fish for domestic consumption as well as to enhance the availability of fish protein and exportable marine products through small-scale traditional fishery programmes.⁹⁷ According to the authorities, the main regulatory changes in the fisheries sector since 2000 have been the enactment of a comprehensive fishery policy covering in part the small-scale sector, industrial fisheries and inland fisheries/aquaculture; the introduction of responsible fishing practices; and limiting access through increased licence fees.

200. Sierra Leone's policy against depletion of marine resources consists in protecting juvenile stages of fish species, by: (i) delimiting inshore exclusion zones (average of 8 km from the shore line); (ii) setting minimum mesh sizes; (iii) banning undesirable fishing gear; and (iv) controlling the number and size of fishing vessels.

201. Industrial fishing is mainly carried out under joint-venture agreements between Sierra Leone, China, and the Republic of Korea. Sierra Leoneans do not own vessel but act as agents for overseas boat-owners. The agreement stipulates that all vessels must be licensed by locally registered companies. The Ministry of Fishery is not usually involved in the agreement between the agent and the overseas partner. Licences are issued by the Ministry for a maximum of 12-months; licence fees and royalties are paid to the Ministry by the boat-owners. In 2004, 13 enterprises were involved in fishing activities in Sierra Leone's territorial waters.

202. Between 1995 and 2000, the industrial catch rose by 13.5%; however due to the lack of adequate facilities in Sierra Leone, the catch is processed in and exported from Dakar (Senegal) or Las Palmas (Canary Islands).⁹⁸ According to the authorities, plans are under-way to construct a fish-processing establishment.

203. An EU import ban on Sierra Leone's fish and fish products came into effect in 2000. According to the authorities, they have never received formal notification of this ban. The Sierra Leone Standards Bureau is developing standards and codes of conduct in compliance with the EU directives on sanitary certification for fish and fish products. In 2002, a request was made to the EU for technical assistance, to enable Sierra Leone to comply with EU standards.⁹⁹

(7) MINING AND ENERGY

(i) Mining

(a) Features

204. Sierra Leone's diamonds-driven mining sector contributed 15.4% of GDP in 2003 (Table I.3); it dominates exports and employs about 17% of the labour force.¹⁰⁰ Traditional (artisanal) mining accounts for 100% of the production. Sierra Leone's abundant mineral resources comprise diamonds, rutile (titanium dioxide), gold, bauxite, and platinum. Sierra Leone has one of the largest and under-explored rutile reserves in the world, and was the world's largest producer of this mineral before the conflict.

⁹⁷ Ministry of Development and Economic Planning (2001).

⁹⁸ FAO (2000); and Statistics Sierra Leone (2001).

⁹⁹ This technical assistance would provide: consultant services, basic laboratory testing equipment, training of staff, and other sanitary infrastructure.

¹⁰⁰ Ministry of Finance (2004).

(b) Main policy issues

205. As stipulated in the 2001 Interim Poverty Reduction Strategy Paper (IPRSP)¹⁰¹, the sectoral objective is to improve the welfare of the returning mining population and make activities more open and transparent. The 1996 Mines & Minerals Act provides the legal framework for this sector.¹⁰² Mining rights and exploration licence are granted on a first-come first-served basis. According to the authorities, the main objectives of the Core Mineral Policy (CMP)¹⁰³ (November 2003) are to: (i) review and amend the laws and regulations governing the mining and marketing of minerals; (ii) strengthen the institutions that administer, regulate, and monitor the mining sector; (iii) develop and strengthen human resources; (iv) attract private investment; (v) ensure that Sierra Leone's mineral wealth supports national economic and social development; (vi) improve the regulation and efficiency of artisanal and small-scale mines; (vii) minimize and mitigate the adverse impact of mining operations on health, communities, and the environment; (viii) promote improved employment practices; and (ix) add value to mining products and facilitate trading opportunities.

206. The sector has benefited under the 1969 Non-Citizens (Trade and Business) Act from domestic support in the form of tax incentives (Chapter II(7)). The sector continues to benefit from domestic support, under the Investment Promotion Act, 2004. According to the authorities the main reasons for granting domestic support in this sector are to encourage investors, promote employment in the sector, and increase production.

207. According to the IMF, the granting of tax concessions for rutile, bauxite, and kimberlite mining has so far been rather *ad hoc* without an overall guiding framework for medium-term revenue mobilization objectives, desirable developments, and social expenditures.¹⁰⁴ To restart rutile mining operations, the authorities have granted significant tax concessions to investors. It is estimated that over the period 2004-16 the cumulative tax revenue losses resulting from these concessions will be US\$98 million. In return for these losses the Government of Sierra Leone will receive an equity stake of Sierra Rutile Limited (SRL)¹⁰⁵ projected to reach 30% once proven reserves are exhausted. The Government of Sierra Leone is expected to receive around US\$5 million to US\$10 million per year for the first five years in form of an equity stake.¹⁰⁶

208. Since 2001, a Diamond Area Community Development Fund (DACDF) has ensured that communities in the mining areas derive direct benefits from mining activities.¹⁰⁷ Each community's share is proportionate to the number of diamond-mining licences issued in the region. The funds have been increasing steadily, at a rate of 60% from 2001 to 2002 (from US\$195,165 to US\$312,988), and

¹⁰¹ Ministry of Development and Economic Planning (2001).

¹⁰² Organized mining in Sierra Leone only began after the promulgation of the Minerals Act in 1927, which was amended by the Revised Mineral Act in 1960.

¹⁰³ According to the authorities, the strategy, objectives, and principles outlined in the CMP will determine the activities that will be integrated into a comprehensive programme for the development of the mining sector in Sierra Leone.

¹⁰⁴ IMF (2004a).

¹⁰⁵ MIL (investment) SARL and US Titanium own 100% stake in SRL. SRL owns the world's richest rutile deposit and has historically been the world's leading producer of natural rutile. The company is refurbishing its plant and equipment as part of its plan to re-establish its position as a key supplier of titanium dioxide. Information available at: http://www.findarticles.com/p/articles/mi_m0EIN/is_2003_Sept_22/ai_107991822 [20 October 2004].

¹⁰⁶ According to the authorities, 400 jobs have been created already and when SRL starts exporting again, over 1,000 jobs will be created.

¹⁰⁷ Government Gold and Diamond Office (2003).

82% from 2002 to 2003 (US\$569,773). For the first half of 2004, the funds raised were US\$458,884.¹⁰⁸ The funds are used on community infrastructure projects.¹⁰⁹

209. The Ministry of Mineral Resources (MMR) is responsible for formulating the mining policy.

210. The main investment impediments in mining are access to land, funds, and capital. The authorities recognize the need to introduce specific reforms in order to attract investment. Future reforms are to include the introduction of a new national mineral development policy.¹¹⁰ Plans for strengthening the current mining policy's provisions on the development of small-scale mining¹¹¹, organizing miners into cooperatives, and preparing a set of rules for expanding private involvement are still under consideration.

Diamonds

211. Sierra Leone is the world's eleventh largest and the continent's eighth largest producer (2002) of diamonds.¹¹² Diamonds are Sierra Leone's main foreign-exchange earner. In 2003, they accounted for more than 90% of total exports (91% in 2001 and 85% in 2002)¹¹³, with a record export value of US\$75.97 million, an increase of 82% over 2002 (Table IV.1). The authorities estimate exports at US\$100 million during 2004. The trend may largely be explained by: (i) the recent introduction of export certification procedures (Box IV.1); (ii) the return of large numbers of people to the mining areas, due to better security, resulting in intensification of mining activities; (iii) a new "Supplier of Choice", marketing strategy used by De Beers diamond mining company¹¹⁴; and (iv) the continuing UN ban on diamond exports from Liberia, the traditional smuggling route.¹¹⁵

212. Since 1956, the Alluvial Diamond Mining Scheme (ADMS), which was introduced essentially to regulate the rush of traditional and small-scale miners into diamond mining, has governed the licensing of mining plots and diamond trading. The DACDF was created to support the diamond-mining communities.

Table IV.1
Diamond exports under the certification regime 2000-04
(U.S. dollars)

| | 2000 ^a | 2001 | 2002 | 2003 | 2004 ^b |
|--------|-------------------|---------------|---------------|---------------|-------------------|
| Value | 6,533,134.59 | 26,022,492.27 | 41,732,130.30 | 75,969,753.32 | 68,282,702.49 |
| Carats | 50,281.51 | 222,519.83 | 351,859.23 | 506,723.37 | 396,132.37 |

a Exports from October to December.

b Exports from January to June.

Source: Government Gold and Diamond Office (2003), 2003 Report.

¹⁰⁸ Government Gold and Diamond Office (2003); and Gold and Diamond Department (NRA) (2004).

¹⁰⁹ According to the authorities the funds could be used to fund community development projects like: road/bridge construction and maintenance; small-scale electricity supply; construction and maintenance of community centres; scholarships funds to deserving students from such regions; provision of clean water supply; provision and improvement of health facilities; transport and communication.

¹¹⁰ State House of Sierra Leone (2003).

¹¹¹ Ministry of Development and Economic Planning (2001).

¹¹² MBendi Information Services online information. Available at: <http://www.mbendi.com/indy/ning/dmnd/p0005.htm> [26 July 2004].

¹¹³ Ministry of Finance (2004).

¹¹⁴ De Beers accounts for 45% of annual global diamond production. Information available at: <http://www.debeersgroup.com/homePage/dbHomePage.asp> [19 October 2004].

¹¹⁵ Gold and Diamond Department (NRA) (2004).

213. Since 2000, the Security Council of the United Nations has prohibited the direct or indirect importation of all rough diamonds from Sierra Leone unless the rough diamonds are first controlled by the national authorities through a mandatory Certificate of Origin regime.¹¹⁶ This measure was established initially for a period of 18 months (until 5 December 2002), and was extended until 5 June 2003.¹¹⁷

214. As from 1 January 2003, the "Kimberley Process Certification Scheme" (KPCS) has been mandatory for the export of rough diamonds. Since 1 January 2004, Sierra Leone has exported diamonds only to countries that are Kimberley participants¹¹⁸; these are the only countries from which rough diamonds may be legally imported or exported, and account for over 98% of the world's diamond trade. Belgium is the main destination for Sierra Leone's diamonds (90% of total diamond exports).

215. In 2003 a waiver was adopted by the WTO General Council with respect to the measures taken to prohibit the export and import of rough diamonds to non-participants in the KPCS. The waiver covers Articles I: 1, XI: 1, and XIII: 1 of the GATT 1994 are waived from 1 January 2003 to 31 December 2006.¹¹⁹ The Members concerned are: Australia, Brazil, Canada, Israel, Japan, Republic of Korea, Philippines, Sierra Leone, Thailand, United Arab Emirates and the United States.

216. To encourage local participation in the diamond sector, in 2002 and 2003, the fee charged for an exporter's licence was higher for foreign nationals than for domestic citizens (five were issued to foreigners and 38 to domestic citizens in 2003). The downside of this policy was that some Sierra Leoneans apparently abused this opportunity by acting as a front for foreign citizens and companies. As from 2004, there is a flat rate on all export licences. Increased participation from local and foreign investors in the industry resulted in higher diamond prices in the local market, reducing the incentive for smuggling.¹²⁰

217. A 3% tax is levied on all diamond exports (Chapter III(3)(ii)). Under the Mineral Policy of 1998, revenue from this tax is shared among five destinations/recipients.¹²¹

¹¹⁶ The signatories of the Certificate were the Governor of the Bank of Sierra Leone, the Minister of Mineral Resources, the Commissioner of Excise and the Director of the GDDO.

¹¹⁷ Resolution 1306 was adopted by the Security Council on 5 July 2000, in order to improve the transparency of the international diamond trade. Resolution 1446 was adopted on 4 December 2002.

¹¹⁸ In 2004, there were 43 countries were Kimberley participants: Angola, Armenia, Australia, Belarus, Botswana, Brazil, Bulgaria, Canada, Central African Republic, China, Democratic Republic of Congo, Cote d'Ivoire, Croatia, European Community, Ghana, Guinea, Guyana, India, Israel, Japan, Republic of Korea, Democratic Republic of Lao, Lesotho, Malaysia, Mauritius, Namibia, Norway, Romania, Russian Federation, Sierra Leone, Singapore, South Africa, Sri Lanka, Switzerland, Tanzania, Thailand, Togo, Ukraine, United Arab Emirates, United States, Venezuela, VietNam and Zimbabwe. On 10 July 2004, Republic of Congo was also removed from the list. Information available at: <http://www.kimberleyprocess.com:8080/site/?name=participants&PHPSESSID=9085abb4a0c8186c152ee8f869d17c74>.

¹¹⁹ WT/L/518, 27 May 2003.

¹²⁰ Government Gold and Diamond Office (2003).

¹²¹ The monitoring fee (US\$240,353 in 2003) is allocated for training monitors in the Kimberley process certification scheme. Government Gold and Diamond Office (2003), *2003 Report*.

Box IV.1: The Kimberley Process Certification Scheme

Following pressure, mainly from non-governmental organizations (NGOs), for international measures to curb the use of so-called "conflict" or "blood" diamonds as a means for funding revolution and war in Africa, action was taken in the context of the United Nations in 2001 with the formulation of the Kimberley Process Certification Scheme (KPCS). The Kimberley Process brought together the industry, represented by the World Diamond Council, in association with large-scale producers and the exploration industry; governments of producing countries; governments with an economic interest in the diamond trade; and NGOs intent on ensuring the efficacy of the system.

The KPCS seeks to implement a Global Certification System for rough diamonds, supported by industry self-regulation, which should assure buyers that they are purchasing legitimate diamonds. The Kimberley Process was fully initiated in November 2002, with implementation to be phased in through the first quarter of 2003.

Prior to the introduction of this process, as much as 20% of rough-diamond output was considered to be unregulated and therefore available for money laundering or arms dealing. Sierra Leone, Angola, and the Democratic Republic of Congo, all with difficult-to-regulate alluvial/artisanal mining, bore the brunt of criticism. All three countries suffered internal conflicts, but both Angola and Sierra Leone had moved to formulate a certification process well before the internationally agreed Kimberley Process system was in place. Sierra Leone's certification scheme from 2000 to 2002 proved successful; it has been replaced by the KPCS.

Sierra Leone is a founding member of the Kimberley Process. It is hoped that full implementation of the Kimberley Process will bring further improvement in official diamond exports (Table IV.2). To assist in the implementation of diamond certification controls in the diamond fields, the Government of the United Kingdom, through its international development wing (DFID), has provided the services of a consultant to work with the Sierra Leone Government to establish the best way forward. In addition a World Bank team is looking, not just at diamonds, but also at ways to move forward the whole mining industry.

Source: State House of Sierra Leone (2003), *Sierra Leone Ready for Business* [Online]. Available at: <http://www.statehouse-sl.org/sierraleone.pdf> [26 April 2004]; and Government Gold and Diamond Office, *2003 Report*.

218. The 1996 Mines & Minerals Act was amended in 2003 to create a performance incentive scheme only for diamond exports. For diamond exports over US\$10 million, a tax break, set at 0.50% of the 3% tax, was granted on all subsequent exports for the rest of the year; in 2003, Hisham Mackie, the largest (foreign) diamond exporter, was the sole beneficiary from this incentive.¹²²

219. Diamond exporters have to be licensed by the MMR (Chapter III(3)(i) and (3)(ii)). The Government's Gold and Diamond Office (GGDO) handles the certification procedures for all diamonds exported legally from Sierra Leone.

220. Smuggling has been the main obstacle to progress in the diamond industry. The adoption of the KPCS has had a positive impact in this sector, making it difficult to trade diamonds outside the scheme.¹²³ Although difficult to quantify, the MMR indicates a declining trend in diamond smuggling; it was estimated to be around US\$30 million to US\$40 million in 2003, and US\$20 million in 2004.¹²⁴ Steps that need to be taken to discourage smuggling are: (i) licensing of all

¹²² The 3% export tax was split between Hisham Mackie (income tax (0.40%); the MCD Fund (0.75%), the Valuation Fee (0.75%); the Independent Valuer Fee (0.40%); and Monitoring Fee (0.20%) totalling 2.5% (Government Gold and Diamond Office, 2003).

¹²³ Government Gold and Diamond Office (2003); and Gold and Diamond Department (NRA) (2004).

¹²⁴ These figures are based on a total export potential of around US\$120 million to US\$130 million.

exporters, miners and dealers; (ii) incentives to exporters who achieve significant levels of performance; (iii) penalties for defaulters and those who consistently fail to perform, including expulsion from the sector; (iv) creation of a data base on exporters, dealers, and miners and their activities, to complement the efforts of mines monitors; (v) provision of training and equipment to mines monitors; (vi) communication network between stakeholders; (vii) maintaining accurate production and export figures to monitor the trend in the sector; and (viii) deportation of foreign defaulters.

(ii) Energy

(a) Hydrocarbons

221. Since 2001, petroleum has represented around 20% of total imports.¹²⁵ In April 2002 the authorities opened bids for the exploration of oil reserves believed to exist.¹²⁶

222. The regulatory framework for this industry was last updated with the promulgation in 2001 of the new Petroleum Act.¹²⁷ A Petroleum Resource Unit, under the supervision of the Office of the President of Sierra Leone, was also created in 2001 to administer the Act.¹²⁸ The Petroleum Unit was established as an independent coordinator between the Government, donors, institutions, and the petroleum industry to ensure fair pricing (reflecting international oil prices) and an uninterrupted supply of petroleum products. According to the authorities, the statutory framework of the downstream sector is being prepared by the Law Officers Department for the transformation of the Petroleum Unit into the Petroleum Regulatory Agency.

223. A price adjustment formula for petroleum products has been in place. According to the authorities, price change is based on a trigger mechanism set within a band of plus and minus 5%.

224. Petroleum products are subject to internal taxes (petroleum fund, except on fuel oil)¹²⁹, a road user charge (except for fuel oil and kerosene), and a 30% excise duty (Chapter III(2)(iii)(e)). These represent up to 36% for petrol, 32% for diesel oil, 11% for kerosene and 7% for fuel oil of the pump price.¹³⁰ An uninterrupted supply of petroleum products has been seemingly ensured since July 1992. In May 2004, as a consequence of a rise in world market prices, fuel prices were increased by 16.5%. According to the authorities, pump prices are revised on average three times a year.

225. According to the authorities, the importation and distribution of petroleum products is no longer a state trading operation. The downstream petroleum industry is now liberalized and funded by the private sector. Refinery operations were discontinued in 1993. Four companies National Petroleum (49%), Mobil (24%), Safecom Petroleum (24%), and Leon oil (3%) participate in this sector.

¹²⁵ Ministry of Finance (2004).

¹²⁶ By June 2003, three firms had submitted bids. The authorities granted permission to three firms (Respell (Spain), Oranto Petroleum (Nigeria) and Investment (United States)) for exploitation of oil fields in the southern coast of the country.

¹²⁷ State House of Sierra Leone (2003).

¹²⁸ In October 2002, the Government approved the transformation of this unit into a self-financing body.

¹²⁹ This fund (Le 15 per gallon) was created to fund the operations of the Petroleum Unit.

¹³⁰ Government of Sierra Leone (2003).

(b) Electricity

226. The electricity sector contributes 0.5% (2000) to GDP¹³¹; less than 15% of the population has access to electricity.¹³² Sierra Leone's total installed generating capacity (45.54 MW) allows for an available capacity of 28.3 MW (100% thermal). In 2003, imports of petroleum products accounted for over 60% of the operating expenses of the National Power Authority (NPA). A hydroelectric power plant (with a capacity of 50 MW), which has been under construction at Bumbuna in the north of the country since 1990, is to be operational by the end of 2006. The dam is to provide electricity to a large part of the country, including rural areas. According to the NPA, technical and non-technical losses account for 33% of the units available for sale.¹³³

227. The National Power Authority (NPA), which was established in 1982, is the *de jure* state firm responsible for electricity generation, transmission, and distribution in Sierra Leone, except for the Districts of Bo and Kenema, which are served by its autonomous subsidiary, the Bo Kenema power services (BKPS). There are no other electricity suppliers/distributors in Sierra Leone outside the jurisdiction of the NPA. The BKPS is a semi-autonomous body, with strong affiliation with the NPA, under the supervision of the MOEP. A management contract for NPA is being prepared through the Sierra Leone Power and Water Project as a first step towards its privatization. According to the authorities, imports of diesel oil bought by NPA are subject to the normal charges (petroleum fund road and user charge) and excise duty, and oil imports are subject to customs duties.

228. In August 2003, electricity tariffs for the seven consumer categories were raised by 40%¹³⁴ (Table IV.2). The electricity tariff for industries is 30% higher than the tariff for residential consumers and 11% higher than the rate for commercial activities.¹³⁵ Residential users consumed 49%, commercial customers 16% and industrial customers 35% of all electricity produced in 2002. According to the NRA, tariffs take into consideration the cost of production, with the exception of domestic consumer tariffs; and are not often revised, even with changes in the cost of fuel.

Table IV.2
Electricity tariffs, August 2003

| Tariff category- consumer type | Units (watt) | Tariff (Leone) |
|--------------------------------|----------------|----------------|
| T1 – Residential | 0-30 | 287 |
| | 31-150 | 410 |
| | Above 150 | 545 |
| | Minimum charge | 8,600 |
| T2 – Commercial | 0-30 | 501 |
| | 31-150 | 601 |
| | Above 150 | 651 |
| | Minimum charge | 15,015 |
| T3 – Institutions | All units | 601 |
| | Minimum charge | 25,025 |
| T4 – Industries | All units | 724 |
| | Minimum charge | 91,000 |
| | KW demand | 1,114 |

Table IV.2 (cont'd)

¹³¹ Statistics Sierra Leone (2001).

¹³² National Power Authority (2004).

¹³³ These power losses are mainly due to illegal abstraction, illegal connections/reconnections, and under/non-reading of energy meters (National Power Authority, 2004).

¹³⁴ According to the NPA, the raise was due mainly to a 38% increase in the fuel oil price, which increased fuel costs by Le 700 million (around US\$259,000) per month. The previous increase in tariff was in October 2000.

¹³⁵ National Power Authority (2003).

| Tariff category- consumer type | Units (watt) | Tariff (Leone) |
|--------------------------------|----------------|----------------|
| T5 – Street light | All units | 609 |
| | Minimum charge | 20,475 |
| T6 – Temporary supply | All units | 700 |
| | Minimum charge | 8,680 |
| T7 –Welders | All units | 764 |
| | Minimum charge | 27,300 |

Source: The Sierra Leonean authorities.

(8) MANUFACTURING

(i) Features

229. Manufacturing, which consists mainly of small and medium-scale enterprises and informal activities¹³⁶, accounted for 3.2% of GDP in 2003 (Table I.2). The sector's share in total exports was around 5% in 2003 (6.7% in 2002 and 5.6% in 2001).¹³⁷ The sector is characterized by a low level of development due, *inter alia*, to insufficient foreign-exchange resources for importing equipment and spare parts, as well as shortages of electricity supply and other essential inputs. Small-scale activities include cottage and handicraft units using a mix of traditional and simple technologies. Their output is mainly for local consumption (raw materials, beer, plastic footwear, confectionery, salt, cement, soft drinks, and soap). There are 1,744 enterprises operating in production-related activities, and 357 in services; 60% of the enterprises employ up to four workers and 26% between five and nine workers.

230. Under the Interim Poverty Reduction Strategy Paper (IPRSP)¹³⁸ of 2001, and the National Recovery Strategy of 2002-03, the sectoral objective consists of the revitalization of the economy based on small and medium-scale industries. According to the authorities, Sierra Leone has never developed an industrial policy, but during 2004, the MTI was seeking to develop one.

231. The average applied MFN tariff for processed food, beverages and tobacco; textiles and leather, wood and furniture; non-metallic mineral products and other manufacturing (up to 22.6% maximum) exceed the overall average applied MFN rate by four to eight percentage points (Chart IV.1) and are the highest among all activities. Sierra Leone applies a 30% excise tax (included in calculations of the effective applied MFN rates) on imports of alcoholic beverages, petroleum products, tobacco products, fireworks and pyrotechnic articles, and arms and ammunition (Chapter III(2)(iii)(e)).

232. Sierra Leone bound the tariff for non-agricultural products at a ceiling rate of 50%, except for some products bound at ceiling rates of 30% and 80% (Chapter III(2)(iii)(b)).

233. The state-owned enterprise, Forest Industries Corporation is on the list of entities to be privatized (date/plan unspecified) (Table III.2).

¹³⁶ Since independence and up to the 1980s, industrialization was based on the strategy of import substitution. In response to this policy, a few industries were established mainly to produce consumer goods such as beer, cigarettes, and confectionaries (UNIDO, 2004).

¹³⁷ Manufacturing data estimated by the WTO Secretariat, based on data provided for two categories: others, and domestic exports (Ministry of Finance, 2004), Table 2.

¹³⁸ Ministry of Development and Economic Planning (2001).

(9) SERVICES

(i) Features

234. The share of services in GDP increased from 18.2% in 1995 to 25.1% in 2003 (Table I.3). Trade and tourism, transport and communication, banking and finance, and government services were the leading services activities in Sierra Leone in 2000.¹³⁹ In 2004, exports of commercial services represented 21.9% of total exports of goods and non-factor services, and 26.8% of total imports of goods and non-factor services (Table I.5).

(ii) Overall commitments under the General Agreement on Trade in Services

235. Sierra Leone's GATS commitments, both horizontal and sector-specific (business, communication, construction and related engineering, educational, environmental, financial, health related and social, tourism and travel related, recreational, cultural and sporting, transport), are quite comprehensive. Commercial presence is subject to certain conditions, in certain sectors (e.g. professional, insurance, banking, health and transport services), while the presence of natural persons is unbound in others (professional, communications, construction, educational, environmental, financial, health, tourism services). For certain services (environmental, insurance), cross-border supply is unbound.¹⁴⁰

236. Under Article II of GATS, Sierra Leone maintains MFN exemptions with respect to arrangements with ECOWAS Members for all sectors (Chapter II(6)(ii)(b) and (c)). According to the authorities, Sierra Leone will not make any further exemptions for other sub-regional commitments.

237. Sierra Leone did not participate in the WTO negotiations on basic telecommunications services, which ended in 1997, nor in the WTO negotiations on financial services, which were concluded in 1998. Concerning the ongoing round of negotiations, Sierra Leone has not yet submitted negotiating proposals to the WTO Council for Trade in Services. According to the authorities, Sierra Leone has not carried out an assessment of its comparative advantage in trade in services, and any impact liberalization will have on the economy. The MTI is seeking assistance from the EC's Programme Management Unit for ACP States that are WTO Members for an impact study on trade in services, before it can submit any negotiating proposals to the WTO Council for Trade in Services.

(iii) Financial services

238. Between 1995 and 2003, the contribution of financial services (including insurance) to GDP increased considerably, from 3.6% to 6.7% (Table I.3).

Banking and finance

239. Six banks currently operate in Sierra Leone (three state-owned banks, two private foreign banks, and one domestic bank).¹⁴¹ The state-owned commercial banks (Rokel Commercial Bank, Sierra Leone Commercial Bank, National Development Bank) have been slated for privatization in 2005. (Table III.2).

¹³⁹ Statistics Sierra Leone (2001).

¹⁴⁰ WTO document GATS/SC/105, 30 August 1995.

¹⁴¹ The non-state-owned banks are the Guaranty Trust Bank (SL), Standard Chartered Bank Sierra Leone, and Union Trust Bank.

240. The Bank of Sierra Leone (the Central Bank) is responsible for monetary policy, the stability of the financial system, and the safety and efficiency of the payments system (Chapter I(3)(i)).¹⁴²

241. Financial reforms have been undertaken since 2000. The revised Bank of Sierra Leone Act¹⁴³, and the Banking Acts, provide for: (i) a more independent and effective Central Bank; (ii) a strengthening of the banking supervision function; and (iii) legislative guidelines for the financial sector as a whole, including revised prudential requirements and increased minimum capital requirements.¹⁴⁴

242. As from 2003, the Bank of Sierra Leone established community banks to improve the financial system, provide institutional support to the Government's micro-financing programme, and ensure the availability of formal financial services to urban and rural communities. The community banks have replaced the rural banks.

243. As from 2000, Sierra Leone's banking regulations have required compliance with international prudential standards.¹⁴⁵ Prudential requirements are set on the basis of the Bank for International Settlement arrangements and also partially on the Second Basel Accord. The capital adequacy requirement is 15% of the capital base.

244. The financial sector suffers seemingly from several inefficiencies that contribute to the high cost of financial intermediation, and limit the availability of financing for productive investments, especially to small and medium-sized enterprises.¹⁴⁶ Legislative and other structural inadequacies handicap this sector (e.g. the high level of non-performing loans, inadequate judicial procedures for loan recovery, an inadequate credit risk valuation mechanism, high intermediation costs). Interest rates are set by each individual bank, taking into account the cost of funds, risk elements, and the cost of processing. The BSL does not set the rate. The spread between the average rate of interest charged on loans and the rate paid on deposits is indicative of a lack of competition in the banking sector and its resulting inefficiency (Chart IV.2). From 1997 to 1999 the spread rose from 13.96 percentage points to 17.3 percentage points; before falling back to 11.58 percentage points in 2003, as risk decreased.¹⁴⁷ The increase was due principally to: the extreme levels of risk; the non-existence of guarantees on loans; high costs of intermediation; high costs of the branch network; and monitoring cost of advances, which are extremely high due to the very high rate of default.

(b) Insurance

245. There are currently seven private and three public general insurers, with assets worth Le 20 billion. There are no private life insurers. The market appears to be dominated by the state-owned National Insurance Company (NIC)), which is on the list of entities to be privatized (date/plan unspecified) (Table III.2).

246. The Insurance Act 2000 constitutes the legal framework for the sector.¹⁴⁸ To improve, deregulate, and strengthen the insurance market, the monopolistic advantages retained by the NIC were revoked in 1993.¹⁴⁹ In 2000 an Insurance Commission was established; its main function is to

¹⁴² Bank of Sierra Leone (2002).

¹⁴³ Act No. 3/2000, The Bank of Sierra Leone Act, 2000, 28 February 2000.

¹⁴⁴ Government of Sierra Leone (2002).

¹⁴⁵ Government of Sierra Leone (2002).

¹⁴⁶ Government of Sierra Leone (2002).

¹⁴⁷ IMF (2004b).

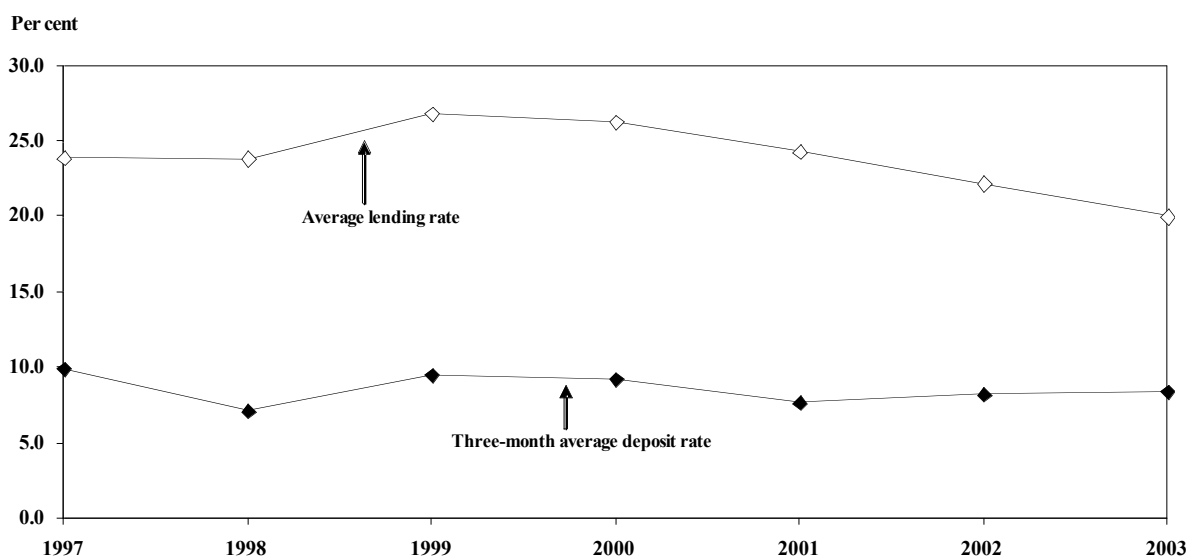
¹⁴⁸ This Act repealed the Insurance Act 1971 and the Insurance Rules 1973.

¹⁴⁹ Decree No. 3: The Insurance /Compulsory Legal Cession Act (repeal) Decree, 14 May 1993.

ensure effective administration, supervision, regulation, and monitoring of the business of insurance in Sierra Leone. Among its functions are to: establish standards of conduct for insurers and insurance intermediaries; monitor rates of insurance premiums and commissions; approve standards and conditions applicable to the insurance industry; and register insurers, re-insurers and insurance intermediaries who wish to transact insurance business in Sierra Leone.

Chart IV.2

Nominal interest rates and spreads, 1997-03



Source : IMF (2004), *International Financial Statistics*, September.

(iv) Telecommunications

247. The number of fixed lines in Sierra Leone's rose from 16,627 in 1995 to 27,000 in 2004, equivalent to a teledensity of some 0.5%. There were 100,000 mobile phone subscribers, equivalent to 2.2% of the population in 2003.¹⁵⁰

248. Since 1995, Sierra Leone's telecommunications sector (except for mobile telephone services) has been run by the *de jure* state monopoly Sierratel¹⁵¹, which is on the list of entities to be privatized (scheduled for third quarter of 2004) (Table III.2). However, since 1990, a number of licences have been granted but only two private entities (Celtel, Millicom and Mobitel) have been operating in mobile telephony. Mobitel went bankrupt in 2003.

249. No provisions on the universal services obligation (USO) seem to be in place.¹⁵² There is no independent regulatory authority other than the Ministry of Transport and Communication. According to Sierratel, a Telecoms Bill 2004 currently being considered by Parliament will establish a regulatory body and provisions on USO.

¹⁵⁰ Standard & Chartered (1999).

¹⁵¹ Sierratel is the result of the merger in 1995 of Sierra Leone External Telecommunications (SLET) International and Sierra Leone National Telecommunications Company (SLNTC).

¹⁵² USO is the obligation of telephone operators to offer a telephone connection to any subscriber that wants one, at a price that is affordable. Information available at: <http://www.cordis.lu/infowin/acts/ienm/bulletin/11-1996/uniserv.html> [22 July 2004].

(v) Transport**(a) Shipping**

250. Maritime transport has been dominated by foreign shipping firms as Sierra Leone does not have a national fleet, except for ferry services, which are operated by the Sierra Leone Ports Authority (SLPA).¹⁵³ Ferry services are also provided by private operators; the most recent is from Libya. A freight levy is collected for navigational purposes. The fee is US\$3 per ton for imports and US\$2 per ton for exports. Since the resumption of activities in Freetown's port in 2002, container traffic has grown by 24%, from 34,681 TEUs to 35,555 TEUs in 2003. The average ship turn-around time, decreased from four days in 2002 to three days in 2003.¹⁵⁴

251. At present all ports are State owned and run by the Sierra Leone Ports Authority (SLPA), a semi-autonomous entity listed for privatization (Table III.2).¹⁵⁵ The ports of Niti and Pepel are currently inactive; the authorities expected to reopen them with the reactivation of rutile-mining activities, although no date has been scheduled.¹⁵⁶ SLPA is in the process of privatizing/deregulating three major activities (ferry services, slipway and port security) under performance-based and concession type agreements. Management of the first-aid and health clinic, situated in the port, is currently being reformed.¹⁵⁷

252. In 2001, the regulatory functions previously undertaken by SLPA were transferred to the public entity Sierra Leone Maritime Administration (SLMA);¹⁵⁸ these include responsibility for the freight levy and navigational aid.

253. Harbour dues are 140% higher on imports (containers) than on exports. The authorities indicate that as most commodities are imported this measure is aimed at compensating for the lower tonnage exported.¹⁵⁹

(b) Air transportation

254. Sierra Leone has one international airport (Lungi)¹⁶⁰, which is state-owned and is on the list of entities to be privatized (date/plan unspecified) (Table III.2). In 2000, the airport handled 75,000 passengers and 5,000 tonnes of freight. The state-owned national carrier Sierra National

¹⁵³ Ministry of Transport and communications (2003b), *Port development and Management*.

¹⁵⁴ Ministry of Transport and communications (2003b), *Maritime administration*.

¹⁵⁵ The SLPA was established by the Ports Act 1964, as amended in 1991. From 1987 to 1997, the port was managed under contract by Hamburg Port Consultant. During this period, it seems that no new investments were made and skill development activities were carried out for the local staff.

¹⁵⁶ The ports of Niti and Pepel were operated by private mining companies until 1995 and 1973 respectively.

¹⁵⁷ The clinic provides an important service, not only to port staff but also residents of the eastern part of Freetown. Given the high cost of private health-care providers and insurers, a more cost-effective solution would be for the port to maintain its current management, but with improved services, in order to provide medical attention to non-port patients on a fee-for-services basis.

¹⁵⁸ The SLMA was established with the joint assistance of the International Maritime Organization and UNDP. The SLMA has the following functions: (i) registration of ships; (ii) maritime personnel certification; (iii) training, recruitment, and discharge of sea going personnel; (iv) protection of the marine environment; (v) safety of navigation in territorial seas; (vi) flag-state and port-state responsibilities; (vii) maritime search and rescue; (viii) regulation and development of shipping in inland waterways, maritime and coastal transport.

¹⁵⁹ Ministry of Transport and communications (2003a).

¹⁶⁰ The Lungi airport is situated across the Sierra Leone river, 15 km from Freetown. As it is very difficult to reach by land, passengers to or from Freetown have to use ferryboat or helicopter services.

Airlines (SNA), which is also listed for privatization, provides a number of services at the airport, notably ground-handling operations (both ramp handling and passenger handling, of which it is the principal provider); ticketing; and limited air-transport service. Four other foreign carriers operate scheduled flights to and from Lungi.¹⁶¹

255. Airport services are under the responsibility of the Sierra Leone Airports Authority (SLAA). No restrictions apply to foreign firms in this sector.

256. Sierra Leone signed the 1998 Yamoussoukro Declaration, and the 1999 Banjul Accord for the accelerated implementation of the Yamoussoukro Declaration. The latter brings together seven West African states¹⁶², and establishes a platform for negotiating traffic rights and market access, as well as for harmonizing air transport regulations.

(c) Road transportation

257. The state-owned Sierra Leone Roads Authority (SLRA)¹⁶³, handles the construction, operation, and maintenance of roads. The public road network of Sierra Leone totals about 11,000 km. Maintenance is financed through the Road Fund, funded by a user levy attached to the price of fuel (providing more than 60% of the fund's resources) and fees collected by the road transport authority for vehicle and driver licensing and registration.¹⁶⁴

¹⁶¹ Ministry of Transport and communications (2003b), *Airport development and management*.

¹⁶² Cape Verde, the Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone.

¹⁶³ Created by an Act of Parliament in 1992.

¹⁶⁴ Ministry of Transport and communications (2003b), *Executive summary*.

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APPENDIX TABLES

Table AIII.1
Tariff averages by HS chapter

| HS 2-digit | Description | No. of lines ^a | MFN | | Effective applied MFN ^a | | Bound rates | |
|---------------|------------------------------------------------------------------------------------------|------------------------------|----------------|--------------|------------------------------------|--------------|----------------|--------------|
| | | | Average (%) | Range (%) | Average (%) | Range (%) | Average (%) | Range (%) |
| | Total | 5,577 | 13.9 | 0-30 | 14.9 | 0.5-60.5 | 47.5 | 30-80 |
| 01-24 | Agriculture | 827 | 17.2 | 0-30 | 18.6 | 0.5-60.5 | 41.8 | 30-80 |
| 25-97 | Industry | 4,750 | 13.3 | 0-30 | 14.3 | 0.5-60.5 | 48.5 | 30-80 |
| 01 | Live animals | 24 | 16.3 | 5-20 | 16.8 | 5.5-20.5 | 40.0 | 40-40 |
| 02 | Meat and edible meat offal | 60 | 20.0 | 20-20 | 20.5 | 20.5-20.5 | 40.0 | 40-40 |
| 03 | Fish and crustaceans, molluscs and other aquatic invertebrates | 94 | 16.3 | 10-20 | 16.8 | 10.5-20.5 | 50.0 | 50-50 |
| 04 | Dairy produce; birds' eggs; natural honey; edible prod. n.e.s. | 38 | 19.2 | 5-20 | 19.7 | 5.5-20.5 | 40.0 | 40-40 |
| 05 | Products of animal origin, n.e.s. | 20 | 11.8 | 5-20 | 12.3 | 5.5-20.5 | 40.5 | 40-50 |
| 06 | Live trees and other plants; bulbs, roots and the like; cut flowers etc. | 13 | 13.1 | 5-20 | 13.6 | 5.5-20.5 | 40.0 | 40-40 |
| 07 | Edible vegetables, certain roots, tubers | 62 | 19.8 | 5-20 | 20.3 | 5.5-20.5 | 40.0 | 40-40 |
| 08 | Edible fruit & nuts; peel of citrus fruit/melons | 60 | 19.3 | 5-20 | 19.8 | 5.5-20.5 | 40.0 | 40-40 |
| 09 | Coffee, tea, maté and spices | 33 | 19.1 | 5-20 | 19.6 | 5.5-20.5 | 40.0 | 40-40 |
| 10 | Cereals | 19 | 9.5 | 5-20 | 10.0 | 5.5-20.5 | 40.0 | 40-40 |
| 11 | Prod. of the milling industry; malt; starches; inulin; wheat gluten | 31 | 15.0 | 0-20 | 15.5 | 0.5-20.5 | 40.0 | 40-40 |
| 12 | Oil seeds & oleaginous fruits; misc grains, seeds and fruit; etc. | 50 | 9.8 | 5-20 | 10.3 | 5.5-20.5 | 40.0 | 40-40 |
| 13 | Lac; gums, resins and other vegetable saps and extracts | 12 | 4.2 | 0-5 | 4.7 | 0.5-5.5 | 40.0 | 40-40 |
| 14 | Veg. plaiting materials; veg. prod. n.e.s. | 12 | 13.8 | 5-20 | 14.3 | 5.5-20.5 | 39.2 | 30-40 |
| 15 | Animal/veg. fats & oils & their cleavage products; etc. | 57 | 16.1 | 5-20 | 16.6 | 5.5-20.5 | 40.5 | 40-50 |
| 16 | Prep. of meat/fish/molluscs etc. | 28 | 19.8 | 15-20 | 20.3 | 15.5-20.5 | 45.4 | 40-50 |
| 17 | Sugars and sugar confectionery | 21 | 15.7 | 5-30 | 16.2 | 5.5-30.5 | 40.0 | 40-40 |
| 18 | Cocoa and cocoa preparations | 17 | 15.3 | 5-30 | 15.8 | 5.5-30.5 | 39.4 | 30-40 |
| 19 | Preparations of cereals, flour, starch or milk; pastry cooks' products | 23 | 17.6 | 5-30 | 18.1 | 5.5-30.5 | 38.3 | 30-40 |
| 20 | Prep. of veg./fruit/nuts/other parts of plants | 57 | 24.2 | 15-30 | 24.7 | 15.5-30.5 | 39.4 | 30-40 |
| 21 | Miscellaneous edible preparations | 25 | 20.2 | 5-30 | 20.7 | 5.5-30.5 | 38.8 | 30-40 |
| 22 | Beverages, spirits and vinegar | 29 | 27.1 | 5-30 | 47.2 | 5.5-60.5 | 56.6 | 40-80 |
| 23 | Residues and waste from the food industries; prepared animal fodder | 26 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 40.4 | 40-50 |
| 24 | Tobacco & manuf. tobacco substitutes | 16 | 21.3 | 5-30 | 31.1 | 5.5-60.5 | 40.0 | 40-40 |
| 25 | Salt; sulphur; earths and stone; plastering materials, lime and cement | 77 | 5.8 | 0-20 | 6.3 | 0.5-20.5 | 50.0 | 50-50 |
| 26 | Ores, slag and ash | 41 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 50.0 | 50-50 |
| 27 | Mineral fuels, mineral oils & prod. of their distillation; bituminous sub; mineral waxes | 43 | 8.4 | 0-20 | 39.2 | 30.5-50.5 | 50.0 | 50-50 |

Table AIII.1 (cont'd)

| HS 2-digit | Description | No. of lines ^a | MFN | | Effective applied MFN ^a | | Bound rates | |
|---------------|------------------------------------------------------------------------------------|------------------------------|----------------|--------------|------------------------------------|--------------|----------------|--------------|
| | | | Average (%) | Range (%) | Average (%) | Range (%) | Average (%) | Range (%) |
| 28 | Inorganic chemicals; organic or inorganic compounds of precious metals, etc. | 182 | 5.0 | 0-5 | 5.5 | 0.5-5.5 | 50.0 | 50-50 |
| 29 | Organic chemicals | 341 | 4.9 | 0-5 | 5.4 | 0.5-5.5 | 49.9 | 40-50 |
| 30 | Pharmaceutical products | 36 | 6.1 | 0-20 | 6.6 | 0.5-20.5 | 30.6 | 30-50 |
| 31 | Fertilisers | 26 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 30.0 | 30-30 |
| 32 | Tanning/dyeing extracts; tannins & their derivatives; pigment, etc. | 59 | 11.2 | 5-30 | 11.7 | 5.5-30.5 | 50.0 | 50-50 |
| 33 | Essential oils & resinoids; perfumery, cosmetic or toilet preparations soap, etc. | 41 | 19.6 | 5-30 | 20.1 | 5.5-30.5 | 49.5 | 30-50 |
| 34 | Soap, organic surface-active agents, washing prep., lubricating prep., waxes, etc. | 28 | 18.8 | 5-30 | 19.3 | 5.5-30.5 | 50.0 | 50-50 |
| 35 | Albuminoidal substances; modified starches; glues; enzymes | 16 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 43.1 | 40-50 |
| 36 | Explosives; pyrotechnic prod.; matches; pyrophoric alloys; combustible prep. | 10 | 18.5 | 5-30 | 25.0 | 5.5-50.5 | 50.0 | 50-50 |
| 37 | Photographic or cinematographic goods | 37 | 22.8 | 5-30 | 23.3 | 5.5-30.5 | 50.0 | 50-50 |
| 38 | Miscellaneous chemical products | 73 | 13.1 | 5-20 | 13.6 | 5.5-20.5 | 47.1 | 30-50 |
| 39 | Plastics and articles thereof | 141 | 8.8 | 5-30 | 9.3 | 5.5-30.5 | 50.0 | 50-50 |
| 40 | Rubber and articles thereof | 94 | 13.6 | 0-20 | 14.1 | 0.5-20.5 | 50.0 | 50-50 |
| 41 | Raw hides & skins (no furskins) & leather | 38 | 16.1 | 5-20 | 16.6 | 5.5-20.5 | 47.4 | 40-50 |
| 42 | Articles of leather; saddlery & harness; etc. | 25 | 22.6 | 5-30 | 23.1 | 5.5-30.5 | 50.0 | 50-50 |
| 43 | Furskins & artificial fur; manuf. thereof | 14 | 24.3 | 10-30 | 24.8 | 10.5-30.5 | 45.7 | 40-50 |
| 44 | Wood and articles of wood; wood charcoal | 74 | 17.0 | 5-30 | 17.5 | 5.5-30.5 | 50.0 | 50-50 |
| 45 | Cork and articles of cork | 11 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 50.0 | 50-50 |
| 46 | Manuf. of straw/esparto/other plaiting materials; basketware and wickerwork | 6 | 20.0 | 20-20 | 20.5 | 20.5-20.5 | 50.0 | 50-50 |
| 47 | Pulp of wood/other fibrous cellulosic material; recovered paper and paperboard | 20 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 50.0 | 50-50 |
| 48 | Paper and paperboard; articles of paper pulp, of paper or of paperboard | 112 | 9.4 | 5-20 | 9.9 | 5.5-20.5 | 50.0 | 50-50 |
| 49 | Printed books, newspapers, pictures & other prod. of the printing industry; etc. | 22 | 9.5 | 0-30 | 10.0 | 0.5-30.5 | 43.6 | 30-50 |
| 50 | Silk | 13 | 20.0 | 5-30 | 20.5 | 5.5-30.5 | 46.9 | 40-50 |
| 51 | Wool, fine or coarse animal hair; horsehair yarn and woven fabric | 48 | 19.1 | 5-30 | 19.6 | 5.5-30.5 | 47.7 | 40-50 |
| 52 | Cotton | 150 | 24.0 | 5-30 | 24.5 | 5.5-30.5 | 49.2 | 30-50 |
| 53 | Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn | 30 | 12.5 | 5-30 | 13.0 | 5.5-30.5 | 48.0 | 40-50 |
| 54 | Man-made filaments | 73 | 22.1 | 5-30 | 22.6 | 5.5-30.5 | 50.0 | 50-50 |
| 55 | Man-made staple fibres | 124 | 22.3 | 5-30 | 22.8 | 5.5-30.5 | 50.0 | 50-50 |

Table AIII.1 (cont'd)

| HS 2-digit | Description | No. of lines ^a | MFN | | Effective applied MFN ^a | | Bound rates | |
|---------------|----------------------------------------------------------------------------------------|------------------------------|----------------|--------------|------------------------------------|--------------|----------------|--------------|
| | | | Average (%) | Range (%) | Average (%) | Range (%) | Average (%) | Range (%) |
| 56 | Wadding, felt & nonwovens; special yarns; twine, cordage, etc. and articles thereof | 36 | 18.9 | 5-20 | 19.4 | 5.5-20.5 | 50.0 | 50-50 |
| 57 | Carpets and other textile floor coverings | 23 | 27.8 | 20-30 | 28.3 | 20.5-30.5 | 50.0 | 50-50 |
| 58 | Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery | 46 | 27.3 | 5-30 | 27.8 | 5.5-30.5 | 50.0 | 50-50 |
| 59 | Impregnated/coated/covered/laminated textile fabrics; etc. | 24 | 16.3 | 10-20 | 16.8 | 10.5-20.5 | 50.0 | 50-50 |
| 60 | Knitted or crocheted fabrics | 44 | 30.0 | 30-30 | 30.5 | 30.5-30.5 | 50.0 | 50-50 |
| 61 | Articles of apparel and clothing accessories, knitted or crocheted | 116 | 22.5 | 20-30 | 23.0 | 20.5-30.5 | 50.0 | 50-50 |
| 62 | Articles of apparel and clothing accessories, not knitted or crocheted | 119 | 21.7 | 20-30 | 22.2 | 20.5-30.5 | 50.0 | 50-50 |
| 63 | Other made up textile articles; sets; worn clothing and worn textile articles; rags | 60 | 21.3 | 5-30 | 21.8 | 5.5-30.5 | 50.0 | 50-50 |
| 64 | Footwear, gaiters etc.; parts of such articles | 30 | 22.3 | 10-30 | 22.8 | 10.5-30.5 | 50.0 | 50-50 |
| 65 | Headgear and parts thereof | 12 | 23.3 | 20-30 | 23.8 | 20.5-30.5 | 50.0 | 50-50 |
| 66 | Umbrellas, sun umbrellas, walking-sticks, seat-sticks, etc. and parts thereof | 7 | 21.4 | 10-30 | 21.9 | 10.5-30.5 | 50.0 | 50-50 |
| 67 | Prep. feathers & down & ; artificial flowers; articles of human hair | 8 | 20.0 | 20-20 | 20.5 | 20.5-20.5 | 50.0 | 50-50 |
| 68 | Articles of stone, plaster, cement, asbestos, mica or similar materials | 49 | 19.4 | 10-30 | 19.9 | 10.5-30.5 | 50.0 | 50-50 |
| 69 | Ceramic products | 30 | 18.7 | 5-30 | 19.2 | 5.5-30.5 | 50.0 | 50-50 |
| 70 | Glass and glassware | 66 | 21.0 | 5-30 | 21.5 | 5.5-30.5 | 50.0 | 50-50 |
| 71 | Natural/cultured pearls, precious or semi-precious stones, metals, coins, etc. | 53 | 15.6 | 5-30 | 16.1 | 5.5-30.5 | 50.0 | 50-50 |
| 72 | Iron and steel | 171 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 50.0 | 50-50 |
| 73 | Articles of iron or steel | 127 | 16.4 | 5-20 | 16.9 | 5.5-20.5 | 50.0 | 50-50 |
| 74 | Copper and articles thereof | 60 | 6.5 | 5-20 | 7.0 | 5.5-20.5 | 50.0 | 50-50 |
| 75 | Nickel and articles thereof | 17 | 6.8 | 5-20 | 7.3 | 5.5-20.5 | 50.0 | 50-50 |
| 76 | Aluminium and articles thereof | 39 | 9.2 | 5-20 | 9.7 | 5.5-20.5 | 50.0 | 50-50 |
| 78 | Lead and articles thereof | 10 | 6.5 | 5-20 | 7.0 | 5.5-20.5 | 50.0 | 50-50 |
| 79 | Zinc and articles thereof | 10 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 50.0 | 50-50 |
| 80 | Tin and articles thereof | 8 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 50.0 | 50-50 |
| 81 | Other base metals; cermets; articles thereof | 51 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 50.0 | 50-50 |
| 82 | Tools, implements, cutlery, spoons & forks, of base metal; parts thereof | 66 | 8.7 | 5-20 | 9.2 | 5.5-20.5 | 35.0 | 35-35 |
| 83 | Miscellaneous articles of base metal | 36 | 16.7 | 5-20 | 17.2 | 5.5-20.5 | 50.0 | 50-50 |
| 84 | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 519 | 6.8 | 5-30 | 7.3 | 5.5-30.5 | 43.2 | 30-50 |
| 85 | Electrical machinery and equipment and parts thereof; etc. | 293 | 16.4 | 5-30 | 16.9 | 5.5-30.5 | 48.3 | 30-50 |
| 86 | Railway or tramway locomotives, rolling-stock and parts thereof; etc. | 24 | 6.3 | 5-20 | 6.8 | 5.5-20.5 | 50.0 | 50-50 |

Table AIII.1 (cont'd)

| HS 2-digit | Description | No. of lines ^a | MFN | | Effective applied MFN ^a | | Bound rates | |
|---------------|-------------------------------------------------------------------------------------|------------------------------|----------------|--------------|------------------------------------|--------------|----------------|--------------|
| | | | Average (%) | Range (%) | Average (%) | Range (%) | Average (%) | Range (%) |
| 87 | Vehicles other than railway or tramway rolling-stock, & parts & accessories thereof | 138 | 12.6 | 0-30 | 13.1 | 0.5-30.5 | 52.9 | 30-80 |
| 88 | Aircraft, spacecraft, and parts thereof | 16 | 5.0 | 5-5 | 5.5 | 5.5-5.5 | 47.5 | 30-50 |
| 89 | Ships, boats and floating structures | 21 | 11.9 | 5-30 | 12.4 | 5.5-30.5 | 50.0 | 50-50 |
| 90 | Optical, photographic, cinematographic, measuring, checking, precision, etc. | 165 | 8.8 | 5-30 | 9.3 | 5.5-30.5 | 48.4 | 30-50 |
| 91 | Clocks and watches and parts thereof | 53 | 22.1 | 10-30 | 22.6 | 10.5-30.5 | 50.0 | 50-50 |
| 92 | Musical instruments; parts & acces. thereof | 23 | 16.1 | 10-30 | 16.6 | 10.5-30.5 | 50.0 | 50-50 |
| 93 | Arms & ammunition; parts thereof | 21 | 26.2 | 10-30 | 52.9 | 20.5-60.5 | 50.0 | 50-50 |
| 94 | Furniture; bedding, mattresses, mattress supports, cushions, etc. | 45 | 22.9 | 5-30 | 23.4 | 5.5-30.5 | 50.0 | 50-50 |
| 95 | Toys, games and sports requisites; parts and accessories thereof | 44 | 29.5 | 20-30 | 30.0 | 20.5-30.5 | 50.0 | 50-50 |
| 96 | Miscellaneous manufactured articles | 52 | 24.0 | 5-30 | 24.5 | 5.5-30.5 | 49.9 | 35-50 |
| 97 | Antiques | 13 | 18.5 | 5-30 | 19.0 | 5.5-30.5 | 50.0 | 50-50 |

a Including excise taxes and ECOWAS taxes.

Source: WTO Secretariat calculations, based on data provided by the authorities of Sierra Leone.