

SIERRA LEONE: EXPORT-DRIVEN GROWTH FOR PRIVATE SECTOR DEVELOPMENT

FORUM ON NEW DIRECTIONS FOR PRIVATE SECTOR EXPANSION

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Commission on Growth and Development

“All of the sustained, high-growth cases prospered by serving global markets.

The crucial role of exports in their success is not much disputed.”

EXPORTS DRIVE ECONOMIC GROWTH

- Exports allow a country to tap into global market and exploit their comparative advantage
- Sierra Leone's domestic market = 1/3 of Aberdeen, Scotland
- No local demand for diamonds, iron ore, cocoa
- Export sectors attract foreign investors, with capital, technology and market access
- Exporting encourages ↑ □ productivity, quality and innovation to remain competitive
- Exports also finance critical imports and debt payments

WHAT IS SIERRA LEONE'S COMPARATIVE ADVANTAGE ?

Natural resources:

- Minerals, fish, agricultural land, good climate, tourism assets
- Like Canada ! (Well except for the climate.)
- Not everyone will follow Asian model of labour-intensive manufactures
- See “Industries without Smokestacks: Industrialization in Africa Reconsidered”
 - Africa will follow a more diversified path, including services and agro-business
- Mineral wealth means stronger exchange rate and higher wages
 - Undermines competitiveness in garments, etc.

IS ONE BETTER THAN THE OTHER ?



WHAT ARE SIERRA LEONE'S MOST PROMISING OPTIONS ?



IMPORT SUBSTITUTION: WHAT ROLE?

Yes, it has a role to play

- Can generate high growth rates by replacing imports while also serving expanding domestic market – in theory
- But, market still small, and limited in time once imports are eliminated
- And must be efficient – otherwise a tax on economy
 - Sierra Leone has significant inefficiencies
- Rice is one possibility
 - But will it be at the expense of blocking cheap imports, leading to higher food prices ?
- Also encourages rent-seeking (protection) rather than innovation

WHAT ABOUT VALUE ADDITION ?

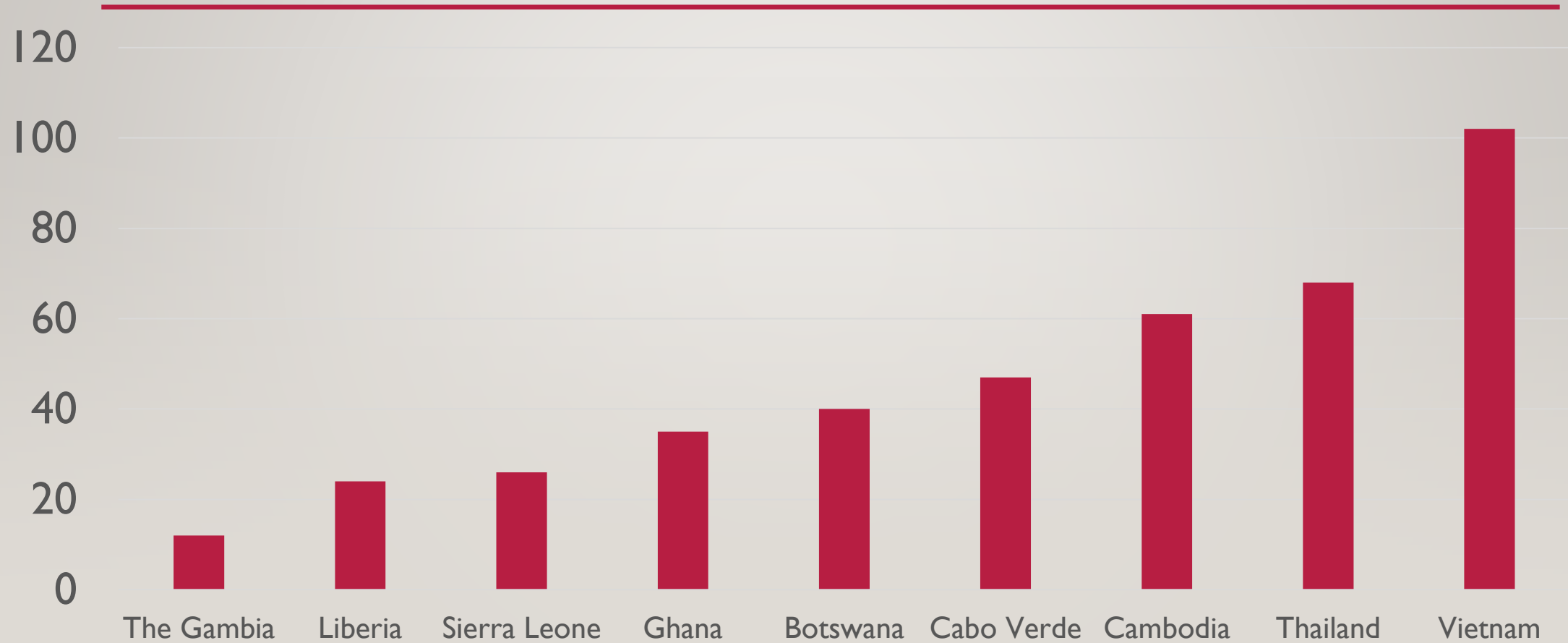
- Raw cocoa adds value !
- \$2500 per tonne - \$1000 in imported inputs = \$1500 added to SL
- Processed cocoa butter may have no value added
- Very capital-intensive, increases transport costs, small price increase
- \$3000 per tonne - \$2500 in imported inputs - \$500 subsidy = 0
- Canada sells > \$1 bil. in raw lentils and chickpeas to India each year
 - \$2bil. of canola oilseeds to China

POLICY: CROSS-CUTTING OR SECTOR-SPECIFIC

- Doing Business reforms, trade facilitation, infrastructure investments, education are all important, but list can get very long – where to start ?
- May miss key constraints for priority sectors, especially in resource-based industries
 - Fisheries: controlling illegal fishing
 - Mining: tax code which accounts for price fluctuations
 - Cocoa: replacing old trees with high-yielding varieties
 - Tourism: allocation of ocean-front real estate
- Developing countries' growth tends to be driven by a few leading sectors
 - Leading sector theory of growth: Harold Innis, Canadian history

EXPORTS AS % OF GDP

GOODS AND SERVICES



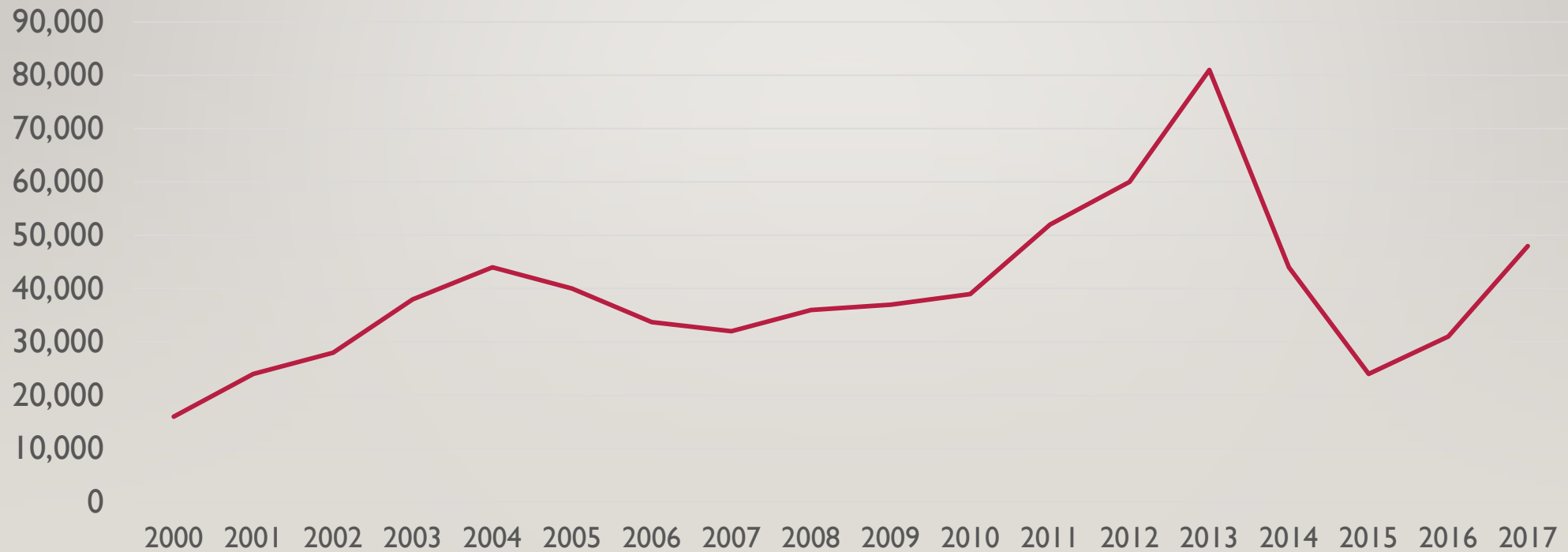
WHAT DOES SIERRA LEONE EXPORT ? (US\$ MILLIONS)

- Heavy reliance on minerals
- But what is other ?
- Most fish exports and cross-border trade not included
- Doesn't include services
- \$42m from tourism

	2017	2018
Diamonds	116	118
Iron ore	131	16
Rutile	111	71
Other minerals	14	25
Cocoa	15	10
Fish/shrimps	10	5
Other	107	347
Total	565	640

HOW HAS TOURISM DONE SINCE 2006 ?

Tourist arrivals

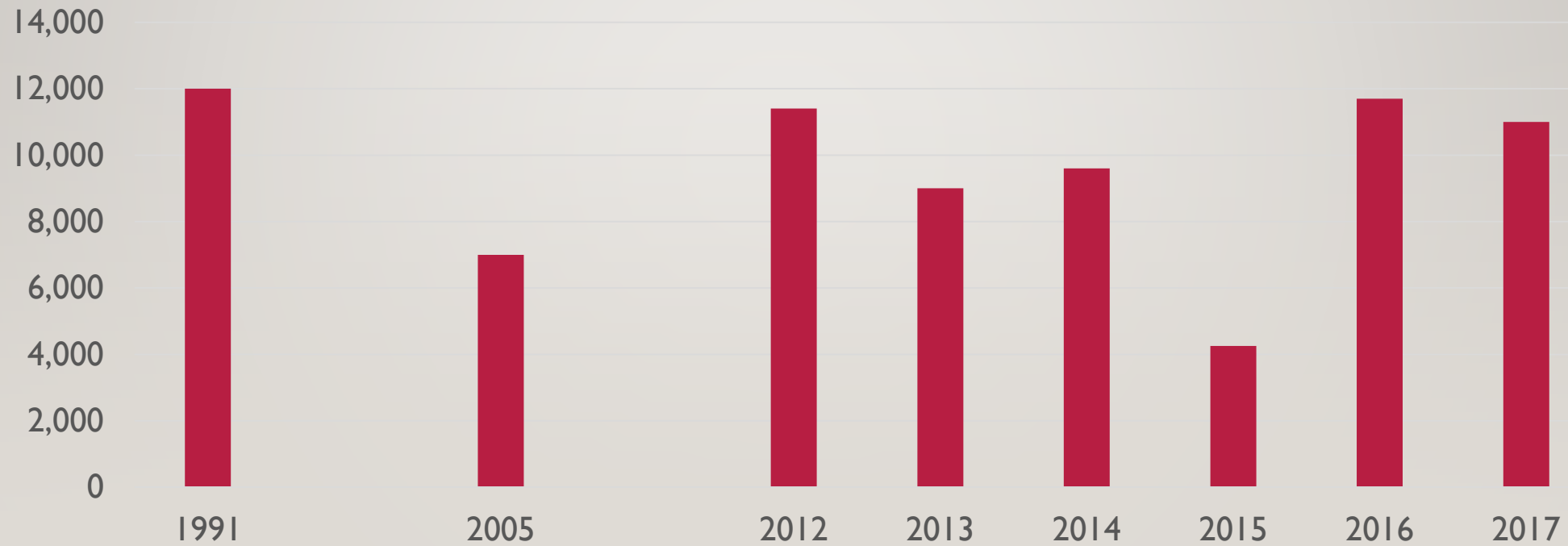


SO NOT TOO BAD, BUT...

- These numbers represent all arrivals, including
 - business persons
 - Sierra Leoneans from diaspora visiting family and friends
 - official missions, including aid workers
 - conference attendees
 - vacationers
- Holiday tourists were only 13,338 in 2013 (16% of total)
 - This is the segment that can be promoted through sound policy
- Sierra Leone already had 200,000 tourists in 1982
- The Gambia receives 160,000, Cabo Verde 600,000
- Need better land management along Western Peninsula and control sand mining; avoid Senegal's mistakes

HOW ABOUT COCOA ?

Tons exported



SOME PROGRESS, BUT...

- Only back to level achieved in 1991
- And some of this is imported from other countries
- Ghana exports 800,000 mt up from 400,000 mt in 2000
- Côte d'Ivoire exported 2 million tons in 2017 up from 1.3 million (2010)
- Yields 400 kg/ha. versus 700 kg/ha. in Côte d'Ivoire
- Need replanting with high-yield varieties, better husbandry and drying
- But not processing

ABIDJAN WAS BUILT WITH COCOA AND COFFEE



WHAT ABOUT OTHER CROPS ?

	2005 (tonnes)	Possible in 2015 (tonnes)	Actual 2017 (tonnes)
Gari	10,000	20,000	15,000 ?
Palm Oil	0	5,000	1,578 + cross- border trade
Palm Kernel Oil	0	5,000	
Cashew	0	10,000	0
Ginger	0	1,000	0

WHY CASHEW?

- Easy crop, well suited to West African agro-climatic conditions
- Some experience in Sierra Leone already
- Thrived in Guinea Bissau and Northern Côte d'Ivoire in spite of political problems
- Côte d'Ivoire now biggest exporter of raw cashews (600,000 mt), expanded in the north with no government support
- Guinea Bissau farmers prefer to grow cashew and buy imported rice
- Indian traders have played key role as buyers and exporters
- Good smallholder cash crop, but need high-quality seedlings

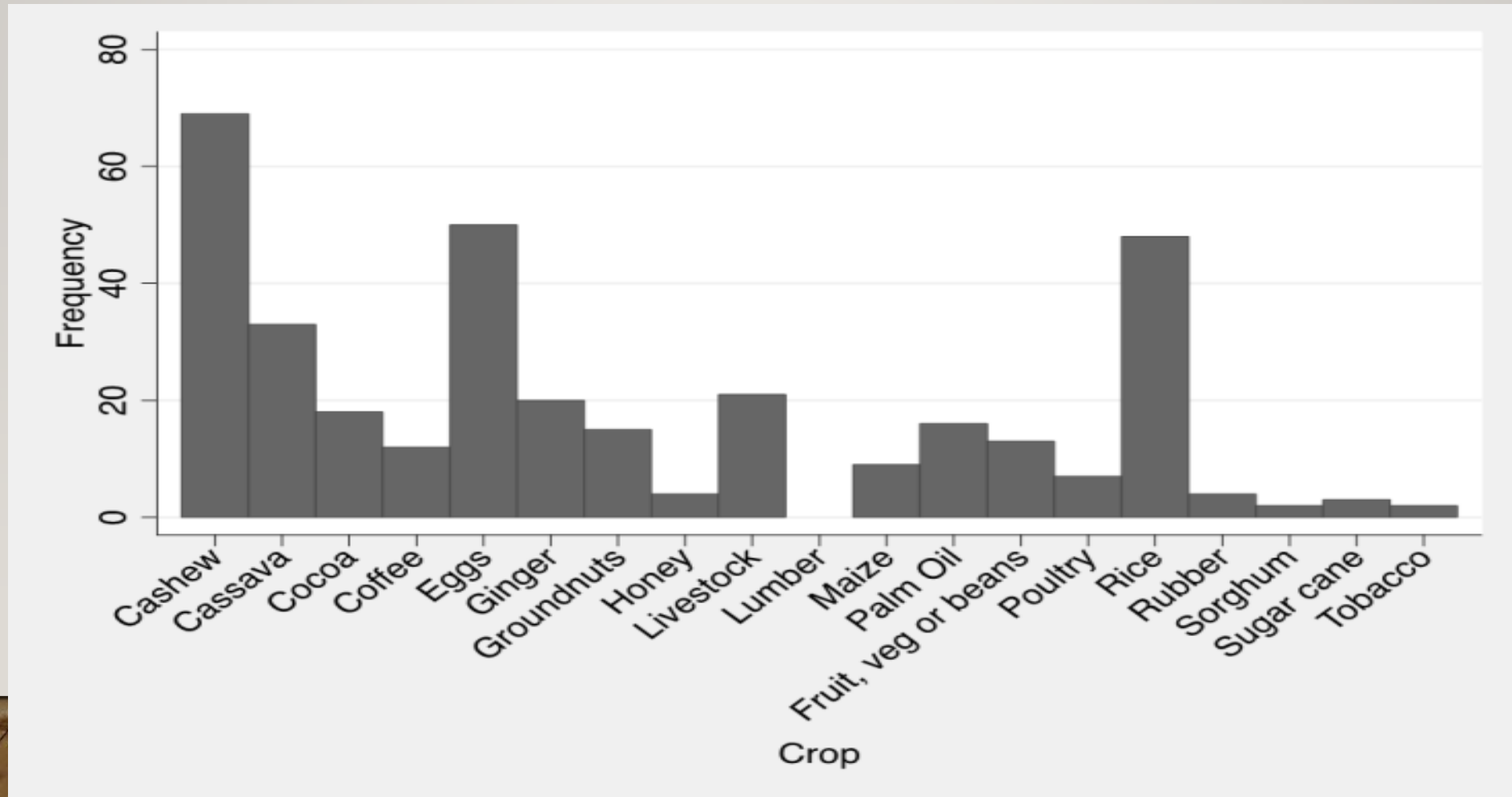
WHY GARI, PALM OIL AND GINGER ?

- Past experience with all three in Sierra Leone
- Gari: cassava requires few inputs or husbandry, and good market in neighbouring countries; active trade already in 2005
- Palm oil and ginger: can attract private investment
- Gari and local palm oil are significant in cross-border trade
- Regional integration is happening
- But being discouraged by hassles, bribes, bans
- IGC report on cross-border trade

AGRICULTURAL CONCESSIONS

- Big new development
- 93 active projects (IGC report)
- Only 36 had completed at least one harvest
- Most common: cashew and rice, then cassava and ginger
- But also some big concessions for palm oil, rubber
- Ideally, investor works with smallholders through contract farming
 - Provides technical and financial support and secure market
 - But not always feasible

AGRICULTURAL CONCESSIONS



FISHERIES

More complicated

- Supply is limited and exports compete with domestic demand
- Benefits depend on who is exporting and what they export: foreign ships may add little or nothing to domestic economy (transshipment at sea)
- Illegal trawling stopped in 6-mile inner zone: catch ↑ □ 30% for some communities
- Public revenues ↑ □ 300% between 2008 and 2013
- But in Liberia, catch ↑ □ 100% and signed EU fisheries agreement
- In Sierra Leone landing infrastructure built but not used for many years
- Spoilage still estimated at 40-50%
- Still no obligation by foreign fleets to land all catch as in Namibia

HOW TO ADD VALUE?

The challenge: Getting the most value out of a fixed supply

- 1) Stop all illegal, unreported, unregulated fishing
- 2) Ideally, require all ships to unload catch in SL for further processing
 - But must have capacity to handle it
- 3) Maximize role of artisanal fishing sector
- 4) Reduce spoilage
- 5) Use high-value species for high-value purposes
 - Ideally fresh, not fishmeal
- 6) Take full advantage of regional market
 - For both high-value and dried, smoked fish

MINING

Major progress: iron ore boom, 36 concessions, EITI, NMA

- But has it distracted attention from agriculture and other growth sectors ?
- Again, a problem of extracting maximum value from limited supply
- Export numbers look good but what is net gain to economy?
 - Significant for artisanal mining, less for modern mines ?
- Important source of government revenue and spending
 - But is it used for higher wages (good or bad?) or more investment
- Can increase backward linkages to suppliers
 - IGC work on local content units (Tanzania, Ethiopia)
- Impact on local communities ?

HOW TO PROCEED?

- Prioritize – human and capital resources are limited
- Leverage the private sector – follow their lead, don't try to invent
- Listen to the private sector – regular consultations to identify problems and possible solutions, at industry/sector level
- But remain vigilante – not all investors are serious or competent
- Ensure accountability
 - Private sector: has investment begun in concessions, are they exporting?
 - Government: are promises made during consultations acted upon?

THANK YOU

