

Issue Brief: IFC in Post-conflict Countries: Liberia & Sierra Leone

IFC and Liberia

IFC's involvement in Liberia dates back to 1965, when the Corporation took an equity stake in the Liberian Bank for Development and Investment. IFC still retains its stake in the bank, which the government of Liberia set up to develop and serve private sector businesses.

IFC's recent activities in the country are conducted through an initiative for Africa that supports economies that are emerging following conflicts. The initiative targets the Central African Republic, Democratic Republic of the Congo, Liberia, and Sierra Leone.

IFC's strategy in Liberia involves four pillars:

1. Supporting the country's economic recovery by helping improve the investment climate
2. Strengthening the financial sector
3. Supporting private participation in infrastructure and financing select private sector companies
4. Supporting select private sector agribusiness and mining ventures

Financial Sector

IFC took an equity stake in the Liberian Bank for Development and Investment in 1965, when the government of Liberia set up the institution to develop and serve private sector businesses.

In 2007, IFC provided \$2 million trade facility to LBDI to provide greater opportunities for businesses and help to reintroduce Liberia and LBDI to international business transactions and counterparts.

In July 2008, IFC signed an agreement to establish Liberia's first microfinance bank, an innovation that will help small businesses grow, speeding the country's recovery from the shattering effects of a long civil war. IFC will be a founding shareholder in AccessBank Liberia, which will deliver a boost to Liberia's economy by providing finance to its smallest businesses, many of which currently have no access to financial services.

Investment Climate

The IFC-managed Investment Climate Team for Africa has been identifying barriers to investment and supporting the creation of the Liberia Better Business Forum for public-private dialogue. It plans future activities aimed at increasing participation of private business in the formal economy and offering advice that can help reduce barriers to investment.

Advisory Services

In February 2007, IFC signed a mandate to advise the government on selecting a private operator to supply Monrovia with electricity.

Liberia faces a critical shortage of electricity infrastructure. IFC will play a critical role in ensuring the transparency and credibility of the selection process.

Agribusiness

In July 2008, IFC signed a transaction to provide long-term financing to Salala Rubber, one of Liberia's leading rubber companies, to help rehabilitate and expand its plantations, optimize processing capacity, and increase employment. The \$10 million, 11-year loan is IFC's largest agribusiness investment to date in this post-conflict country.

IFC and Sierra Leone

Five years after the end of a shattering civil war, hope for sustained peace and prosperity prevails in Sierra Leone. To help the private sector play an important role in reconstruction, IFC is scaling up its activities in the country.

In October 2007, IFC signed an agreement with the government of Sierra Leone to open a representative and program office in the country, paving the way for IFC to rapidly expand its activities to promote Sierra Leone's private sector.

The agreement followed several other recent IFC activities in Sierra Leone. In June 2007, IFC invested \$25 million in Celtel Sierra Leone and mobilized a further \$25 million from other investors to help the company expand and upgrade its fast-growing mobile networks in the country. In March, IFC under its Global Trade Finance Program, signed agreements to issue guarantees against the underlying trade transactions of three of the country's leading banks, covering the banks' payment risks and helping increase Sierra Leone's share of global trade.

"There is a critical need for IFC to become more involved in conflict affected countries such as Sierra Leone," says IFC Country Manager Imoni Akpofure. "The government has recently implemented a number of crucial reforms, paving the way for IFC to become more involved in fostering a vibrant private sector," she adds. "IFC is committed to working with the government of Sierra Leone to promote economic recovery."

As of June 2007 and since the country became a member in 1962, IFC has committed a total of \$54.2 million to projects in Sierra Leone from its own account. That figure is expected to rise sharply as IFC puts in place an array of advisory services and investment approaches to assist the country's post-conflict recovery.

IFC's activities in Sierra Leone are conducted through its conflict affected countries initiative for Africa, which also covers the Democratic Republic of the Congo, Central African Republic and Liberia. IFC's strategy in Sierra Leone is to work closely with the government to improve the country's investment climate, strengthen the domestic financial sector, finance select private sector companies, and support private participation in infrastructure. IFC strategy is consistent with Sierra Leone's commitment to private sector development as an engine for economic growth and recovery.

IFC Advisory Services in Sierra Leone

Working with the United Kingdom's Department for International Development, the IFC World Bank Investment Climate team for Africa is advising Sierra Leone's government on implementing reforms. The program will work the government of Sierra Leone to simplify customs procedures and ease tax hurdles and other regulatory requirements that make it difficult or unappealing for smaller businesses to enter the formal sector of the economy.

An important part of the program is fostering dialogue between the government and the private sector. The Sierra Leone Business Forum provides a platform for the private sector to promote investment-friendly policies and to sensitize the government and the general public on important business issues.

IFC is examining ways to establish a microfinance institution in Sierra Leone and is in initial discussions to advise the country's central bank on supervising the financial markets. The aim is to pave the way for further investments in the near future. The IFC World Bank Investment Climate team for Africa is also undertaking an advisory project to identify public policies and instruments that would attract responsible international private investment into the diamond, tourism and other sectors. The goal is to increase corporate social responsibility and stimulate improved business standards.

Sierra Leone's economic viability depends heavily on the success of these reforms. The country ranked 160 out of 178 in the 2008 *Doing Business* report, an annual survey released in September by IFC and the World Bank that ranks countries on the ease of doing business.

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