

# Global Conflicts, Local Implications: Sierra Leone amidst the Russia-Ukraine War

By Baimba Kamara

How wars fought in distant lands affect fledgling economies has become quite the topic around the scholarship of Politics and Economics. Conflicts have, for times without number, been known to cut off supply chains of global commodities, inflate prices, and create instabilities that may hamper economic growth. These flutters in supply chains have been known to possess heavy ramifications on emerging economies worldwide (Golden Pi, 2023). The financial implications stemming from these international conflicts have often protruded a domino effect that has affected distant foreign economies through spillover margins throughout history. The situation in Ukraine's eastern flank is no different, as it has sent rippling shockwaves across the entire world economy, with spillover implications in various other sectors of foreign domestic economies away from the battlefield (Liadze et.al.,2022).

Sierra Leone, a small country located on the west end of Africa, with a population of 8 million people and a GDP of 3.9 billion dollars, is amongst those highly affected by this conflict (UNDP, 2023). The country's inflation rate in August 2023 stood at 50.94%, food inflation at 64.67% and balance of trade deficit of 61.87 million dollars, a sharp fall in economic performances of the country compared to the pre-war years; 2021 – downwards (Trading Economics, 2023).

Aside from bad governance, overdependence continues to be Sierra Leone's next biggest enemy. Sierra Leone is rich enough in resources to make it self-sufficient, "The Juche State"? That's how the North Koreans term it. With all its abundant resources, it continues to suffer from the resource curse. It imports more than it exports leaving it constantly victimized by the balance of trade deficits. The Russia-Ukraine conflict could have been a golden opportunity for the Nation, had it been a producer. The Price of Maize for example rose significantly in the international market, due mainly to an increase in demand and a shortage in supply, it was an opportunity to boost our sales, but we still cannot produce enough since the Brits left. Let's not derail; we shall discuss that in another article.

Until Foday Mansaray's invitation to bid for licenses, the country lacked easy access to oil resources and a refinery. Therefore it has to constantly rely on importing petroleum products, accounting for 13% of its total energy output.

In 2022, Sierra Leone's biggest trading partner in fuel was Belgium accounting for 62.5% of its total fuel imports<sup>1</sup>. Belgium, like other European Countries, was crucially impacted by the first economic shocks in Europe after Russia cut most European countries off from their supply lines.

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<sup>1</sup> Observatory of Economic Complexity. n.d. "Refined Petroleum in Sierra Leone. Accessed July 4, 2024. <https://oec.world/en/profile/bilateral-product/refined-petroleum/reporter/sle?yearExportSelector=exportYear1>

Belgium went as far as even buying Russian oil indirectly through India, at affordable rates<sup>2</sup>. All who bought Belgian petrol faced the increment incurred from the changes in production costs, including Sierra Leone. Bear in mind that their fuel price had risen due to the increase in the barrel price of crude oil.

Sierra Leone's Petroleum Regulatory Agency ascribed the initial increment in fuel prices to a rise in global oil prices as a consequence of Russia's war in Ukraine. There were other factors at play, however; currency devaluation for example. How? When Russia was sanctioned by the West, it developed a plot to de-dollarize the petroleum market. It asked everyone who came to buy its oil to use the Russian Ruble. We must understand that Russia's oil market makes up 12% of global supply<sup>3</sup>, so ditching the dollar on that much revenue will not go unnoticed. What the United States did to "export this inflation" was to increase interest rates on the dollar. What this meant was that, the value of the dollar against other currencies will change depending on their relationship. Less developed economies would have to pay more to purchase the dollar, in the process devaluing their currencies, such as what happened with the Leone. The point is every justification made by Sierra Leone's Petroleum Regulatory Agency could be attributed to the war.

At the initial start of the crisis, the government subsidized fuel prices to help local prices in Sierra Leone. However, that became a burden and the government had to ditch the subsidies it provided to keep the prices of fuel down. Before 2023, the country had changed the price of fuel more than five times, each with its implication on the transportation sector. What the government should have done was implement the two-tiered pricing system strategy the All People's Congress had used in President Koroma's second term in office<sup>4</sup>. If corporations had to pay more for the fuel with no subsidy attached, say buying directly from the port, all other commercial users would enjoy the subsidy that comes with it. I honestly think the food inflation would not have been as much of a problem as it is now. What the policymakers failed to realize was the significance fuel price played in the local market I guess.

The removal of the fuel subsidy left the country's energy sector vulnerable to unregulated increments. Within the first 18 months of the war, fuel prices doubled by 100% in total. It went from Nle10 in March 2022<sup>5</sup> to Nle25 in August 2023<sup>6</sup>. For a country that barely produces enough and is heavily reliant on road transport to transport agricultural produce, a disaster was imminent.

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<sup>2</sup> The Brussels Times Newsroom.2023. "Belgian Third Party Imports Dodge Embargo on Russian Oil". The Brussels Times. April 20, 2023. <https://www.brusselstimes.com/464063/belgian-third-party-imports-dodge-embargo-on-russian-oil>

<sup>3</sup> Statista Research Department. 2024. "Russian oil industry – Statista & Facts". Statista. July 2, 2024. <https://www.statista.com/topics/5399/russian-oil-industry/#editorsPicks>

<sup>4</sup> n.d. "Fuel Prices in Sierra Leone Today". Statistics Sierra Leone. Accessed July 4, 2024. [chrome-extension://efaidnbmninnbpcjpcglclefindmkaj/https://www.statistics.sl/images/StatisticsSL/Documents/fuel\\_prices\\_in\\_sierra\\_leone.pdf](chrome-extension://efaidnbmninnbpcjpcglclefindmkaj/https://www.statistics.sl/images/StatisticsSL/Documents/fuel_prices_in_sierra_leone.pdf)

<sup>5</sup> Kargbo Abu Bakarr. 2022. "Fuel Price Shoots up in March". Sierra Leone News. February 22, 2022. <https://sierraleonenews.wordpress.com/2022/02/22/fuel-price-shoots-up-in-march/>

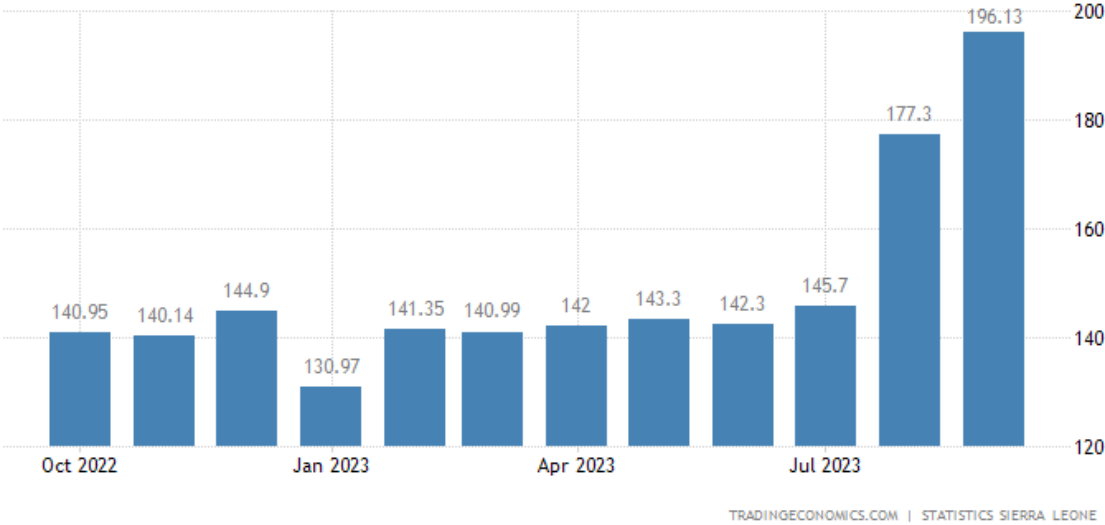
<sup>6</sup> Kamara Mabinty.2023. "Sierra Leone Increase Fuel Price by 16%". Politico SL. <https://politicosl.com/articles/sierra-leone-increases-fuel-price-by16>

Around the very same years of the fuel crisis, transportation costs skyrocketed. The Consumer Price index for Transportation immediately rose to 196.13 in September 2023 from 177 in August. Within March 2022 to August 2023, prices of local and provincial transportation fares rose by several folds, ultimately affecting local agricultural products.

Local traders frequently cited increase in transportation fare as a reason for inflated prices. I remember quite well how traders went from paying Nle15 per bag to Nle50 for transportation cost cabbage alone! How much would a trader then spend in transporting 10 bags? Think about it. Consumers are thus left to feel the bare brunch of this misfortune. Not since the war has Sierra Leone had to deal with such a food inflation problem. The prices of even the most basic commodities went up significantly by September 2023, around the same time Sierra Leone’s fuel prices peaked Nle30 per litre!

**Consumer Price Indexes**

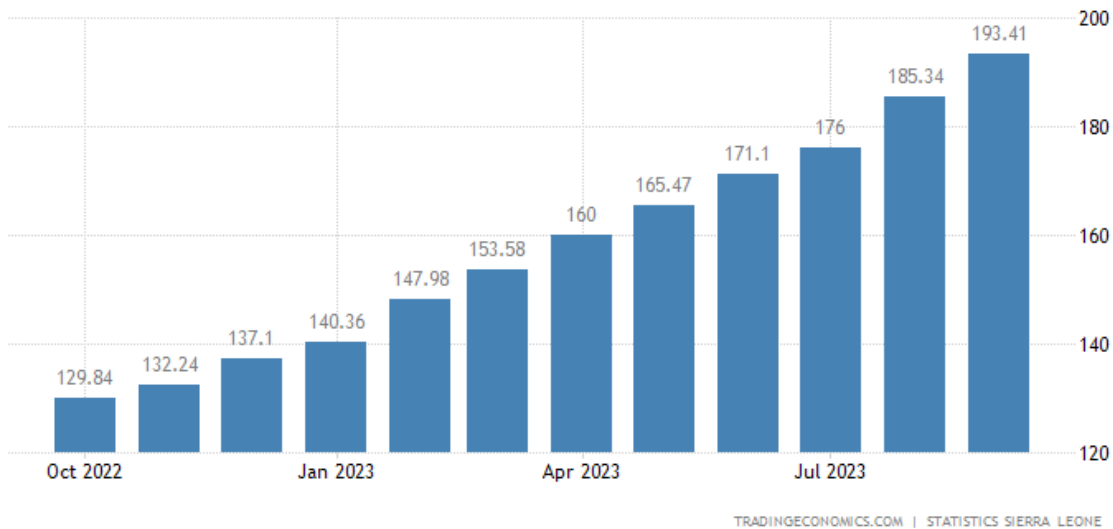
Attached below is a graph indicating the Consumer Price Index for Transportation in Sierra Leone ranging from October 2022 – August 2023. The Consumer Price Index for Transportation studies transportation cost from household perspectives.



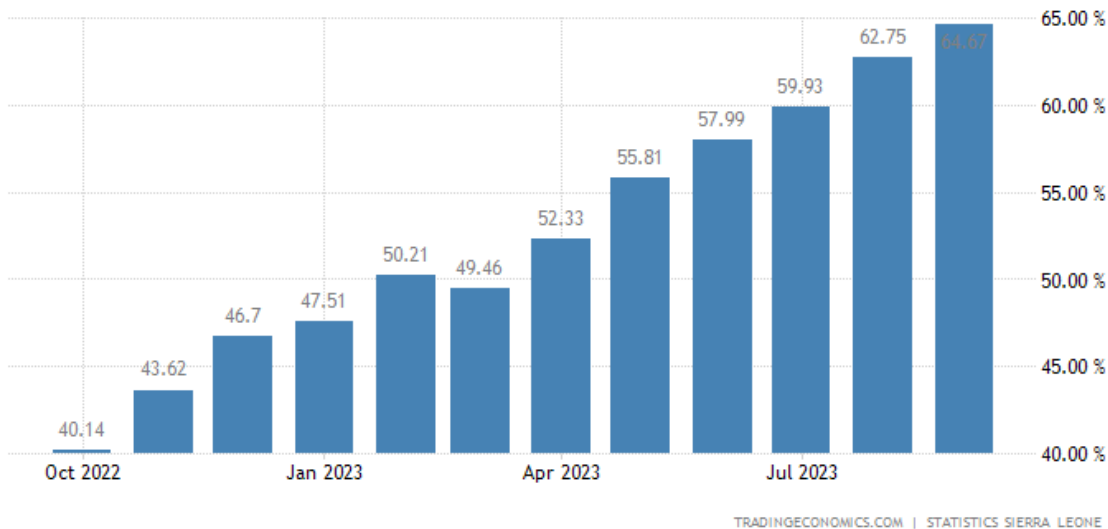
(Source: Trading Economics 2023)

If anything at all, the Consumer Price Index for transportation serves to explain the behaviour of the Consumer Price Index of food in Sierra Leone from 2022 – 2023. Unlike the CPI for Transportation, the Consumer Price Index for food focuses on the general change overtime in the price of all goods and services that makes up the consumer basket of a certain Nation, with the Food Inflation Index focusing specifically on consumables from agriculture.

Again, data from Trading Economics shall be used.



(Source: Trading Economics 2023)



(Source: Food Inflation Index, Trading Economics 2023)

Main observation shows that at every moment of behavioural change noticed in the Consumer Price Index for Transportation, a similar pattern is noticed/replicated in the prices of food products especially those produced locally. For eg, Within July/August 2023 when Consumer Price Index for transportation rose from 145.7 to 177.43 points (around the same period, fuel prices increased from N1e22 per litre to N1e30), Consumer Price Indexes for food rose from 176 points to 193.41. With all this happening, food inflation indexes remained the last linking determinant between fuel price increment – transportation cost and food inflation in Sierra

Leone. As observed within this same period in question, food inflation indexes rose from 57% to 64%.

Most households had to develop new consumption routines if they were to survive the next day. Imagine if you had a family of four spending NLe10 on purchasing bread in the morning, when the price was still NLe2.5 per bread, on a civil servant's salary. Would anyone really think switching up to the new cost of NLe5 per bread not warrant or affect future savings? That family may have to spend NLe20 for the same four bread they had to purchase each morning. That's aside the lunch and evening meals! The less fortunate families, those not amongst the middle or upper class, had to resort to only providing one meal at home, that's the evening rice cooked for everyone. Lots of laughs heck, even my household had to cut breakfast away from our daily meal. Power purchasing parities of households dropped significantly! The commodities most families could afford in 2020 became forgone alternatives amidst the current crisis.

That's the bare cost of dependency in the global economy. What I could not fathom however, is how the rest of the world capitalized on this new found crisis by restricting exports of certain necessities needed at home and increasing exports of others whose prices had significantly increased. Did Sierra Leone's government not foresee this latter alternative and perhaps quickly invest the income saved from subsidy removal to bring capital inflow? That's food for thought for you.

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