

Sierra Leone



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Sierra Leone's mining sector has made a significant recovery since the 11-year civil war ended in 2002. The country produced more than 400,000 carats of diamonds in 2010, making it the world's 10th-largest producer and accounting for nearly half of the nation's total exports. Offshore oil reserves were discovered in 2009, but production has yet to begin, and Sierra Leone's

Sierra Leone	2000	2005	2011
Population (million)	4.14	5.15	6.00
GDP (constant 2011 international \$ billion)	0.8	1.4	2.2
GDP per capita, PPP (constant 2005 international \$)	424	647	769
Extractive exports (% total exports)	1%

SOURCES: World Bank.

economy is likely to remain highly dependent on diamond revenues.

Sierra Leone's Performance on the RGI

Sierra Leone received a "weak" score of 46, ranking 35th out of 58 countries. Its performance on the Enabling Environment component was particularly poor.

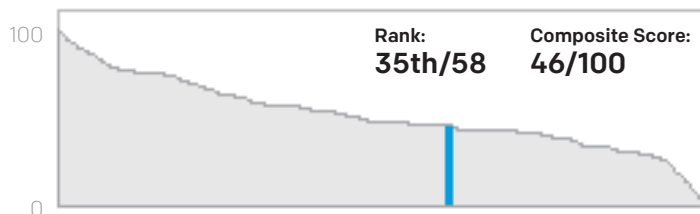
Institutional and Legal Setting

(Rank: 43rd/58 Score: 52/100)

While Sierra Leone publishes detailed mining legislation, its revenue collection mechanisms are convoluted, leading to a "partial" score of 52.

The Mines and Mineral Resources Ministry issues licenses, signs contracts, and regulates the mining industry, while the newly established Petroleum Directorate oversees the oil sector. The process for granting mining licenses is unclear; open bidding requirements included in mining legislation do not apply to all areas, and the ministry engages in direct negotiations with companies.

The National Revenue Authority collects taxes on mining activities and the Mines and Mineral Resources Ministry collects other payments, but a lack of public information makes it difficult to assess revenue flows to the treasury. Diamond exports,



for instance, are believed to be at least double the volume declared.

National law requires some disclosure by extractive companies and the government, but there is no comprehensive freedom of information act. Social and environmental impact assessments are required but are not made public. Sierra Leone was suspended from the Extractive Industries Transparency Initiative in February 2013.

Reporting Practices

(Rank: 28th/58 Score: 47/100)

Sierra Leone does not publish contracts with extractive companies and releases only partial data on most aspects of the mining industry, resulting in a "weak" score of 47.

Information on the licensing process and fiscal arrangements is available from government websites, and a Mining Cadastre allows authorized users to access information on the status, location, and ownership of mining licenses, as well as some data on company payments.

The National Revenue Authority provides very little information on mining receipts, and the Mines and Mineral Resources Ministry appears to offer information only on diamond-related revenues. Only the Finance Ministry and the Bank of Sierra Leone regularly disclose information about the mining sector's operations and revenues, including data on reserves, production volumes, prices, the value of resource exports, the names of companies operating in Sierra Leone, royalties, and license fees.

Safeguards and Quality Controls

(Rank: 25th/58 Score: 59/100)

Sierra Leone received a "partial" score of 59, reflecting incomplete government oversight.

The minister of mines appears to have wide discretion in granting licenses. The Mines and Minerals Act includes procedures for appealing licensing decisions, but the process remains untested. The legislature is occasionally asked to ratify agreements, but does not provide consistent monitoring.

The national Audit Service examines state accounts and publishes annual reports, but there is no specific review of mineral revenues. Government officials involved in the mineral sector must disclose potential conflicts of interest. The 2012 Anti-Money Laundering Act is another positive step toward

transparency.

Enabling Environment

(Rank: 41st/58 Score: 24/100)

Sierra Leone's "failing" score of 24 is due in part to low global rankings on government effectiveness and the rule of law.

Subnational Transfers

(Rank: 23rd/30 Score: 40/100)

In 2001 Sierra Leone established the Diamond Area Community Development Fund to transfer a small portion of the central government's revenues from registered artisanal mining

licensees to mining communities. It receives 0.75 percent of the revenues raised by the nation's 3 percent diamond export tax. The Mines and Mineral Resources Ministry's management of the fund is opaque; financial reports are neither audited nor published.

The Community Development Fund was created in 2009 and requires large-scale licensees and selected small-scale operators to reach agreements with affected communities prior to mine development. Mineral rights holders must also allocate at least 0.1 percent of their annual gross revenue to community initiatives. Very little information is available on the fund's management.

Sierra Leone's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
35	COMPOSITE SCORE	46
43	Institutional and Legal Setting	52
	Freedom of information law	33
	Comprehensive sector legislation	100
	EITI participation	67
	Independent licensing process	83
	Environmental and social impact assessments required	50
	Clarity in revenue collection	33
	Comprehensive public sector balance	0
	SOC financial reports required	..
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
28	Reporting Practices	47
	Licensing process	83
	Contracts	0
	Environmental and social impact assessments	17
	Exploration data	17
	Production volumes	50
	Production value	67
	Primary sources of revenue	56
	Secondary sources of revenue	83
	Subsidies	33
	Operating company names	67
	Comprehensive SOC reports	..
	SOC production data	..
	SOC revenue data	..
	SOC quasi fiscal activities	..
	SOC board of directors	..
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	33
	Subnational reporting of transfers	0
25	Safeguards and Quality Controls	59
	Checks on licensing process	56
	Checks on budgetary process	67
	Quality of government reports	67
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	..
	SOC reports audited	..
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	..
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	0
	Government follows subnational transfer rules	67
41	Enabling Environment	24
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	26
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	40
	Government effectiveness (WGI)	11
	Rule of law (WGI)	18

■ Satisfactory ■ Weak
■ Partial ■ Failing